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CO-OPERATION IN INDIA

BY THE SAME AUTHOR

PEOPLE'S BANKS : A Record of Social and Economic Success. Third Edition, 1910. P. S. King and Son, Ltd., Westminster. 6s. net. A fourth edition is in the press. (A Russian translation, by Prof. Totomianz, has appeared at Moscow.)

A CO-OPERATIVE CREDIT BANK HANDBOOK, with Rules. (Out of Print.) 1909. P. S. King and Son, Ltd., Westminster. 1s. net. (A new edition preparing.)

CO-OPERATIVE BANKING : Its Principles and its Practice. With a Chapter on Co-operative Mortgage Credit. 1907. P. S. King and Son, Ltd., Westminster. 7s. 6d. net.

CO-OPERATION IN AGRICULTURE. Second Impression. 1914. P. S. King and Son, Ltd., Westminster. 8s. net. (A Russian translation, by Prof. Totomianz, has appeared at Moscow.)

CO-OPERATIVE CREDIT FOR THE UNITED STATES. 1917. Sturgis and Walton Co., New York. \$1.50 net.

THE FUTURE OF OUR AGRICULTURE. 1918. P. S. King and Son, Ltd., Westminster. 12s. 6d. net.

CO-OPERATION IN INDIA

BY

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"CO-OPERATIVE BANKING: ITS PRINCIPLES AND PRACTICE," "CO-OPERATION IN
AGRICULTURE," "THE FUTURE OF OUR AGRICULTURE," AND OTHER WORKS

"The very thing for India! Whatever expectations you may have formed as to its results, multiply them by ten, and you will still find them exceeded."—SIR ARTHUR COTTON to the Author in 1894.

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PREFACE

My chapter "The Coming of Co-operative Credit" will show in what close touch I have stood with the Co-operative Movement in India from the very outset, that is, from the time when, about twenty-five years ago, Sir Charles Bernard on behalf of the India Office first consulted me about the character to be given to Indian legislation upon the subject.

Thanks to the great kindness of the India Office, the Government of India, and the various Registrars of Co-operative Societies, past and present, who have kept me fully informed upon even the smallest details of the progress made, and for which I now express my heartfelt gratitude, I am happy that I am able to say that I have been permitted and enabled to maintain the same close touch up to the present moment. I beg to thank the Registrars, more in particular, not only for the full information freely given, but also for the forbearance with which they have accepted occasional criticism.

My hope to render relations still more intimate by a visit to India, on the invitation, some years ago, of various gentlemen connected with the movement, above all, of my friend Mr. W. R. Gourlay, the first Registrar in Bengal, was, to my regret, disappointed by an intervening *force majeure*.

But, although I cannot, of course, without personal acquaintance, presume to speak about local conditions, I believe that I know quite enough of the movement from a purely co-operative point of view to be able to form a judgment upon its merits and its perils, as it stands now.

Notwithstanding that that Movement as yet still covers only a purely fractional part of India, it will have to be admitted that under the judicious guidance and vigorous

working, which have marked its progress, it has already rendered admirable services and prospered greatly—as indeed Anglo-Indians, who know the country well, like the late Sir Arthur Cotton, foretold that it would. It may be said to have thus far only been fairly started. However, this is a case in which the sense of the old Latin proverb may well be held to apply : *Principium dimidium totius*.

But it appears to me that the Movement has now arrived at a stage at which further reflection is seriously called for as to the course to be pursued in future, if Co-operation is to render the full measure of the benefit that one may reasonably look for from it.

In view of this, and of the keen and steady interest which I have all along taken, and still take, in the Movement, and of the intimate acquaintance with Co-operative Credit, and Co-operative Practices generally, under all aspects, and in the most varied parts of the globe, which I have gathered during a series of decades, not least so during the long period in which I stood at the head of the International Co-operative Alliance, I venture to hope that my offering of an opinion will not be considered an unwarranted intrusion, and that the criticism which I presume to pronounce on some points will be kindly received and borne with. Co-operation opens brilliant prospects. But there are at the same time also dangerous pitfalls contained in its practice, which it will be well to avoid.

H. W. W.

January, 1919,

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CO-OPERATION IN INDIA

I

THE NEED OF CO-OPERATIVE CREDIT IN INDIA

THE passing of the Co-operative Societies Act of 1904 bids fair to rank in aftertime as a turning-point in Indian economic and also in Indian social history. It marks the advent of an institution greatly needed and of which the want has for a long time been keenly felt, from the ridge of the Himalayas to Comorin Bay. A native Registrar, grown not unreasonably enthusiastic over his administration of the Act, and in view of its thus far really unparalleled results, has pronounced it "the greatest benefit that India has ever yet received." So in very truth it may prove to be.

Of the evil under which India was suffering and which the Act was designed to relieve there could, and there can now, be no doubt. India was a country carrying on skilled Agriculture, cultivating wheat and other standard crops of modern time, tilling its fields with meticulous care and with plenty of evidence offered of physiological and technical knowledge, at a time when in their own unreclaimed mountains and morasses Europeans still hunted the bear and the wolf. Providence has endowed the country with a wealth of natural resources and rare aptitudes for prolific high-class husbandry. We know that the soil of Gujarat is "raw gold." An Irrigation engineer sent over from the United States some years ago to study the irrigation works completed and in progress in India, in his official Report declared himself enraptured with the glorious opportunities that the apparently inexhaustible resources, with which land Providence had blessed the country, provide. There is, so he says, water available, by channelling or digging, in plenty; and, generally speaking, a "lie" of the land favourable to

irrigation, under a sun which in not a few parts ripens two crops in a year—not to speak of Sir George Watts's "five crops of rice." The "flora" of India is a marvel to Europeans. And to India it is that the country at home looks, not for its tea, cocoa, indigo, coffee and jute only, but now also for its wheat, its cotton and, please God, its sugar. There may be some difficulty about bringing the various elements of rich productiveness, often lying apart, into touch with one another. However, the elements are there. Skill is there. Capacity for labour is there. Arms fit for cultivation are there in plenty. There are the teeming millions of inhabitants—seventy-five or eighty per cent. of the three hundred and twenty-five million inhabitants being wedded to the land. Surely here is an astonishing accumulation of potential agricultural productive power.

Nevertheless Agriculture, taken as a whole, has remained, and still remains, backward—backward, at any rate, in quantitative production. The sixty and hundredfold production of the parable is wanting. There are cases of exceptional productiveness. But on the whole Agriculture fails to bring forth as it might.

And as is Agriculture so, if not worse, is the lot of those who carry it on. Look where we will, there is misery and crying want of development. From time to time Famine stalks blasting through the land, killing those whom Need had only scotched or kept low—those who should have been able to cultivate so as to prevent it. Governments bestir themselves to the best of their power. No Civil Service in the world has brought forth more capable heads, more feeling hearts, more skilful hands than that of India. Unquestionably also there has been progress—great progress. But all the same the rural community continues in a condition of suffering, destitute and as if paralysed in the springs of its energy. In the great mass of cultivators there is no spirit, no determination, no hope to see things bettered. What Shakespeare calls "the native air of resolution" seems sadly "sicklied o'er," turned into a nebula of deadening poison gas, like that of the Neapolitan "grotto of dogs," which stifles life. There is a weight on the spring which prevents action.

The one cause of trouble, in both cases alike, as regards Agriculture and as regards rural life, is essentially the same.

We have heard people talk of the "riches of India." Even apart from the abounding resources of Nature there is supposed to be wealth in the shape of precious metals hidden away in that country such as would astonish people, if there were an Aladdin to bring it to sight with his wonder-working lamp. However, as a productive force India is, in the midst of Nature's rich endowment, in the midst of millions of healthy arms and skilful hands—and hungry stomachs such as might be expected to stimulate to labour and industry—in truth wretchedly poor. It possesses the raw material, it possesses the arms to convert that material into wealth. But it lacks that drop of gold which would oil the machine, set it going, and turn its wheels as a productive factor. And not only is there want of money, of that working capital without which to-day even the richest material and the most skilful hands are powerless, but, on the top of all this there is crushing debt. The country is, so Sir Daniel Hamilton has graphically put it, "in the grip of the mahajan." It is the bonds of debt which shackle Agriculture. It is Usury—the rankest, most extortionate, most merciless Usury—which eats the marrow out of the bones of the raiyat and condemns him to a life of penury and slavery, in which not only is economic production hopeless, but in which also energy and will become paralysed and man sinks down beaten into a state of resigned fatalism, from which hope is shut out and in which life drags on wearily and unprofitably as if with no object in view. There is no use in denying the fact. It is plain to all eyes.

Sir W. Hunter has taken up the defence of the mahajan. He has described him as "the one thrifty person among an improvident population, the basis of the simple Indian system of rural economy, without whose help the Indian cultivator would have nothing to depend upon but the harvest of a single year."

In something of the same strain Sir Denzil Ibbetson, in his most interesting "Report on the Revision of Settlement of the Panipāt Tahsil and Karnal Parganah" writes: "The village banker or sáhúkár is a much, in my opinion generally, a very wrongfully, abused person. Rapacious Jews of the worst type, to whom every sort of chicanery and rascality is the chief joy of life, and in whose hands the illiterate villager is as helpless as a child, do exist, especially in the

cities. But they are well known and only had recourse to in the last resort. It is unnecessary for me to repeat what has been so often and so well said about the absolute necessity for an agency which shall furnish capital to a class who are, as a rule, without it, and shall receive the produce of the fields in exchange for the hard cash in which alone Government will receive its revenue. But this is not the only function they fulfil. The well-to-do villager keeps his whole accounts with the moneylender; he seldom stores any amount of grain in his house, as he has no means of protecting it, but makes over to his banker the produce of the harvest, and draws upon him for his daily wants. The account is precisely similar to that kept by an English farmer with his banker, but with this cardinal distinction—that the English farmer starts with a deposit, and has, as a rule, a balance to his credit, whereas the Indian farmer has, as a rule, nothing to deposit at first, and would not deposit it if he had. He starts with a credit, and, however well-to-do, always owes something to his banker. If he has any surplus wealth, he as a rule conceals it, or sinks it in jewels for his wife till the time comes for a wedding in his family, when he will spend the whole of it, and an advance from his banker besides. He not unfrequently, unless really indebted, sells his produce to travelling traders at a higher rate than he could get for it in the village; and he very commonly lends money himself, in a small way, to his friends and fellow-villagers, and is generally exceedingly longsuffering in his treatment of them. Nor is the banker himself generally so exacting as he is often said to be. He charges monthly interest at the rate of a paisa in the rupee— $18\frac{1}{4}$ per cent. per annum—when his client is a substantial man, and from 25 per cent. upwards when the credit of the latter is doubtful. He credits grain received at a seer a rupee more, and debits it at as much less than the market rate. But his chances of loss are often great, the periods of credit are generally long, and at the time of settlement allowances are made and a compromise effected more generally than would be thought possible. His loans are often secured by a mortgage (*gebna, girvi*); but the mortgage is seldom recorded; for in most villages it is thought disgraceful to have one's land shown as mortgaged in the Government papers, and so long as the client is reputed honest, the banker

does not press for an entry, though it would greatly enhance his security. The mortgagor, too, almost always continues to cultivate the land, and generally at a fairly moderate rent. It is the city Banya, in particular, that is often as unscrupulous and rapacious as he can be painted. And in one respect our rules favour his knavery. It is a universal rule among the people that, till the deed of alienation has been registered, if registration is necessary, and till mutation of names has been effected in the Government records, the whole of the money is not paid, and possession of the land is not given. At the same time people believe that registration will not be made unless payment of the consideration in full is admitted, while our rules expressly forbid our ordering mutation of names, unless transfer of possession is shown to have taken place. Thus the alienator must perforce, in order to complete the transaction, admit full payment and transfer of possession before either has been made; and the alienee, if unscrupulous, withholds the balance due and sues for possession; and the admissions of the alienator, duly recorded, precludes the possibility of defence. . . . In times of drought and famine the Banya is the villager's mainstay; without him he would simply starve." Nevertheless, the same Sir Denzil Ibbetson in another place records the fact that at the opening of the ploughing season raiyats habitually address an earnest prayer to *Dharti Māta* (Mother Earth) to this effect: "Keep our rulers and our bankers contented, and grant a plentiful yield; so shall we pay our revenue and satisfy our moneylender." The latter gentleman accordingly does not appear to be generally considered only a "mainstay."

Professor Radha-kamal Mukerjee likewise has a good word to put in for the mahajan. "The moneylender," so he writes, "is called by the ryot the *jater* and *pater mahajan*, the guardian of his honour, and the supplier of his food. He supplies the cultivator not only with food at the time of need, but also with *bat* expenses every week, with capital for buying stock, and with cash for providing himself and his family with clothes, without which they would fast be reduced to needy paupers." But on another page he complains, "Their (the mahajans') sole motive is to make profit." And elsewhere again he exposes some of the tricks by which they succeed in doing so—rather exorbitantly.

Now it is perfectly true that the mahajan renders useful services which, as Indian society is at present constituted, are actually indispensable. But there is nothing to show that the conditions are immutable which make them so. Also, it is not the services which we are now quarrelling with, but the price exacted for them. In the same way that the mahajan is indispensable to the raiyat, is the rapacious sweater indispensable to the East End drudge, to the heroine of Thomas Hood's "Song of the Shirt," and was the American planter indispensable to his negro slave. The large-scale banker and billbroker are as indispensable to the British merchant and manufacturer. But they render their services on very different terms. And if the present constitution of Indian society renders usury and peonage so indispensable as to make it acceptable to these advocates of the mahajan, evidently the duty of humane men and women is to do what they can to get that constitution altered. And that is the very thing that co-operators in organising Co-operative Credit are "out" for. The mahajan is there because former masters of India, and in part our modern ordering of things according to Western ideas, have—in addition, so it must in fairness be conceded, to long-established customs of inheritance and the like, which have grown too tight for the greatly enlarged body of an increased population—made the raiyat poor. And wherever there is Poverty, there Usury may with certainty be counted upon to show its hideous head, resolved to fatten upon its helpless victims. "A vast body of raiyats," so writes Sir F. Nicholson—speaking for the time specifically of Madras Presidency—"habitually live only by means of borrowing; they could not begin to cultivate without borrowing seed, cattle, grain for maintenance, etc., so that their crop is pledged in advance . . . so that on settlement of accounts the cultivator has little to go on with and must again borrow; in famine years these men have practically no resource. The raiyat must feed himself and his family. He must pay his kists. And, if there is no money to pay them with—as is usually the case—and the revenue officer stands at the door, there is no alternative but to go to the mahajan."

Thus the descent to the Avernus is an easy one—and rapid. Our legal procedure and the curious view sometimes taken of these things by judges hasten the process. The

mahajan seemingly claims what he likes. The poor raiyat cannot put in an appearance. His usual explanation, when taxed with such apparent remissness, appears to be that he is "too poor." *Pecuniosus damnari non potest*, says Cicero. "Cash rules the world," says Byron. The mahajan swears to whatever he pleases. He puts in documents which are allowed to pass because they are not challenged. Generally speaking the sole record of the business transacted is his own ledger. And so judgment goes against the poor cultivator. And the sucking dry of the poor fly by the voracious spider begins—destined not to end, very likely, till the raiyat is hopelessly dispossessed of his holding, has pledged his very children and has himself become a slave. A "slave" is the proper term, as Mr. E. L. L. Hammond—a man who evidently keeps his eyes open and his mind alert—explicitly points out in the last Annual Report which he wrote in his position as Registrar of Co-operative Societies in the Province of Bihar and Orissa. He quotes the very "contracts," as they are termed, written in dog-legal phrase. And a sad revelation his tale is. There are the "contracts," drawn up in semi-legal form, by the village scribe. They are, of course, an imposition on the debtor's ignorant simplicity. "They bear an eighteen-anna stamp, are duly signed and witnessed, and the thumb impression of the man himself, and sometimes of his family as well, appear thereon." They are not of ancient date—before the "Commission on Slavery" sat in 1836. They bear date of 1303 Fasli, which, according to our Calendar, is 1896, and later. The borrower therein hands himself over to actual slavery, to plough the lender's field; to do his bidding at any work. "If I show any laziness or default in service or in all and any work of cultivation with the plough, I will make repayment on the security of my field or out of my personal property." In 1905 a man agreed to "plough, till the land, and carry bamboos from the hills, cut weeds and straw, and fill tubs with chopped straw and watch fields and villas, etc." In some cases the son is included in the service. These contracts may be "an imposition," as Mr. Hammond indeed calls them. But the service is a sad reality. And, under the benign ruling of the Courts, adjudication goes in the majority of cases in favour of the lender.

In a recent number of "Better Business," a monthly

print issued in connection with the Irish Agricultural Organisation Society, Johnston Pasha tells a gruesome story, for the truth of which he vouches, of a mahajan who, as the last resource of an oppressed debtor clientèle, as the one remedy concluded to be effective, was, by unanimous decree of those debtors done to death—assassinated on his way home—by one who had offered to render the service gratis—when a particularly cruel act had driven his debtor slaves to despair. The murderer was found out and charged—but let off, as Johnston Pasha testifies, not without ready willingness on the part of the magistrate—on the score of a flaw in the pleading.

To such ills does the reign of Debt and Usury lead! Justice, helpless, under our Code and its own cast-iron precepts, to protect the injured, openly sympathises with “the wild justice of revenge.” And we shall have to bear in mind, as Sir F. Nicholson rightly reminds us, that “it is only the gross cases which attract attention, while the ten thousand ordinary ones are unnoticed.” We do not hear anything like the full report.

Listen to the distressing review of things as they are given by Sir Daniel Hamilton: “The power which stands in the way of India’s economic development is the power of evil finance—the want of a banking system *for the people*. The people have many bankers but no bank. The land lies blighted by the shadow of the mahajan. Go where you will, you find the people weary of waiting for a money monsoon which never breaks. They look to the heights of Simla and the plain of Delhi for the cloud with the silver lining, but the cloud never sparkles into showers. Last month I spent ten days in the Deccan, a land thirsting for water and for money. As I went round the village I asked the people why they grew cotton which yielded them a crop worth only thirty or forty rupees an acre, when they might grow sugar-cane which would give them ten times as much. I put the same question in every village and got the same reply in each: ‘We cannot grow sugar-cane because we have no money. The seed alone will cost us more than a hundred rupees an acre and a well will cost three or four hundred rupees more. We are deep in debt, and if we borrow more, we shall be utterly undone.’ And so the sugar industry and the people both languish. The weavers

are held up by the same evil power. The mahajan sells them his yarn at his own price, and takes over his cloth at his own price, and so the weavers and the handlooms languish, and the web of India's life is cut short. I go down to Orissa and the cry is the same: 'We want bunds' to hold up the rainfall and rice; but bunds cost hundreds and thousands of rupees, and how can men with an income of two or three annas a day find hundreds and thousands of rupees?' So the people have to go without the rice they covet, and Orissa, for want of bunds, is being washed into the Bay of Bengal, I go up to Bihar and find the same deadly mildew at work, blight, blight, blight everywhere. The mahajan still lies safely entrenched behind his money bags, while the victims of his silver bullet lie all round in heaps. When is this dacoity to cease? The raiyat is robbed of his crops, his cattle of their food, the weaver of his cloth, a dry and thirsty land is robbed of irrigation, and of education, and of medicine and of that economic development without which spiritual and moral progress is an idle dream. India stands a thousand years behind the times, because the mahajan with his ruinous rate of interest stands athwart the path of progress. Only along the Co-operative Route will India find the way from poverty to plenty."

So abject is the raiyat's dependence upon the mahajan, that he literally dares not call his soul his own. In 1894 the late General Booth, of the Salvation Army, wrote to me asking for an interview. He had read my book "People's Banks," the first edition of which was brought out early in 1893. He had an ambitious scheme for benefiting India then on the stocks. He was going to create a large Salvation Army Settlement. We have had similar schemes, but not quite as ambitious, brought forward since. General Booth's idea was that of settlements in which raiyats' families converted to Christianity might find occupation, profit, happiness, liberty and contentment. To carry out his ambitious enterprise he had secured the services of a very capable man, one Lagercrantz, who, oddly enough, had only just exchanged from a captaincy in the Swedish Guards, a very crack and aristocratic corps, into a colonelcy in the Salvation Army. In due course, I may add that he found his way back into service under his sovereign as a diplomatist. "My

difficulty," so General Booth explained to me, "is this, that no sooner have I gained a raiyat over to accept the Christian faith"—and of course he would have only Christians as settlers—"but the mahajan steps in and threatens to draw to the noose which the raiyat permanently carries round his neck, and make an end of him by selling him up. Now, to meet this obstacle there is only one way : we must provide a competing institution, which can take over the mahajan's claim and step into his place. Now can you frame us rules for such an institution?" It was a knotty and a thorny job. For in our credit societies' the governing principle is absolutely democratic administration, freedom coupled with correspondingly strict individual responsibility for all. General Booth, on the other hand, would have nothing but military discipline. Like Cornelius, so he put it, "we say to one man 'come' and he cometh, and to another man 'go' and he goeth." The ambitious scheme eventually broke down, not on the point of the proposed credit societies, which never materialised, but on that of the settlement.

Where the evil which produces such results is as plainly declared as it is in India there can be no doubt about the diagnosis. *Res ipsa loquitur.*

Writing in the *Bengal Co-operative Journal*, Dr. Nevill Chambers gives expression to the opinion that, to bring relief, legislation against usury is urgently called for. The Viceregal Council is, or else quite recently was, actually busy framing an Anti-Usury law. However, Legislation never could grapple with Usury, any more than locksmiths could place a bar in the way of Love. Usury laughs at laws. We have had an example lately in England. In 1896—I think it was—we had a Select Committee of the House of Commons sitting on the subject of measures to be taken against Usury. I gave evidence before it—not on the subject of legislation, but on that of something better, as I thought, something that would crowd it out, if properly handled, that is, Co-operative Credit. On the ground of the Report of that Committee Sir Henry James, as he then was, brought in and carried an Anti-Usury Act. It has proved a fiasco—though the late Lord James of Hereford was undoubtedly a clever lawyer and a capable legislator. He himself, by the way, was so much struck with my evidence that he at once

begged me to explain the matter more fully to him in private, being resolved to set up—as he tried to do—a Raiffeisen credit society in the parish in Wiltshire in which his then newly acquired country seat was situated. He did not succeed in this, because he handled the matter wrongly. But he certainly succeeded no better with his Anti-Usury legislation. And with all respect for Sir William Vincent, I doubt if he will succeed any better, at any rate in practice.

Let the legislator legislate, if he so pleases! All that one will be willing to hope for is that in legislating ingenuously he will not find himself doing more harm than good. For the mahajan, as has been said, has his uses. Sir W. Hunter and Sir D. Ibbetson are right up to that point. He, after all, provides the money without which rural economy would come to a dead standstill. We sang a doggerel song in England some sixty years ago threatening awful things to him who would be cruel enough to “rob a poor man of his beer.” Then how is he to fare who robs the poor man of the only money that he has any chance of procuring for himself? Our mahajan, though an abominable pest, is not deliberately cruel. It is opportunity that makes the “thief” of him. During the war we have been paying for many things “through the nose.” However, at that price we *got* the things. And at the mahajan’s price the raiyat *gets* his money. Now that the war is over, we shall hope to buy things more cheaply once more. That will be because then there will once more be competition. The mahajan charges exorbitant terms because he is practically the only lender in the market. He has no one to compete with him.

Evidently things can not be left as they were. Some remedy must be devised. And the proper remedy—on this point there could be no doubt—is to bring another “Richmond” into the field to combat the exacting and oppressive mahajan. Or, rather, in such an extreme case as that of India, in which immediate redress is called for, there must be two “Richmonds.” The first is that doughty warrior, extolled by everyone but not as universally worshipped: Thrift. Whatever else may be said in praise of Indian habits and character, thrift, so everyone appears agreed, is not one of their distinctive features. In respect of an unthrifty disposition the Indian may be said to deserve

the palm. There are writers who excuse this, but no one, so far as my reading and hearing goes, ventures to deny the fact. Sir Denzil Ibbetson will have it that even the fairly well-off Indian rather borrows, when the rainy day of an unexpected call upon his purse comes, and resignedly allows the debt so contracted to run on, than lay by against it or exert himself to pay it off. Professor Mukerjee says that the cultivator "stoops under the heavy burden" (of "an enormous rate of interest"), "but does not improve his position." And if he does lay by, he does so in an un-economic and unproductive way.

Now there is no stimulus to thrift, economically soundly regulated thrift, which makes savings fructifying to the owner's and the community's benefit, like Co-operation. That fact has been admitted wherever Co-operation has been applied. Men of great authority, representing such diverse interests as the late Lord Avebury, a representative of the banking interest, and Sir Edward Brabrook, for many years an ideal Registrar of Friendly Societies in England, have both publicly recommended Co-operative organisations as model savings institutions, preferable to ordinary savings banks.

But that is not at present my point. My point is this, that co-operative credit institutions, be they ever so humble and so diminutive, not only very successfully attract savings deposits into their own cash boxes—we have seen some such results already in India, in the shape of deposits coming in, as will still be shown, in unlooked-for abundance, and of concealed treasure being taken out of its hiding-place to be invested fructifyingly with credit societies—but, on the top of this, saving in co-operative societies has been found to evoke a saving instinct, which carries savings into other receptacles designed for thrift deposits as well. And that is surely wanted in India. What money does the Indian Post Office Savings Bank attract? Professor Mukerjee will have it that barely two per cent. of the population hold deposits in it. That is sad; but it is really not to be wondered at. For the Post Office Savings Bank comes to the Indians with a strange face; it is to them an alien institution. However, Post Office Savings Banks have been as badly off elsewhere prior to the advent of Co-operation. In the early nineties, when I carefully investigated the doings and position of

co-operative credit institutions in Italy—of the remarkable effects of which in attracting savings men like Léon Say and Eugène Rostand had shortly before expressed their great admiration—the Italian Post Office Savings Bank, then already some ten years old, having been introduced by Sella and M. Luzzatti after the British model—could scarcely be said to be “in it” as a receiver of deposits, by the side of other savings banks and Co-operative Banks. It held about one-fifth only of the national savings—even less, if we take the deposits in ordinary commercial banks into account. Now the position is completely changed. The Post Office Savings Bank rides the high horse. The co-operative village institutions, penetrating into every hamlet, preaching thrift everywhere and enforcing it, have altered the habits of the rural Italian—who has been as unthrift as the Indian raiyat. The Post Office Savings Bank now heads the list. The Co-operative Institutions have made the running for it. Even in the early nineties, when I began my inquiries, it was generally admitted that the savings deposits collected by the Co-operative Banks had made no inroad whatever upon the takings of the long-established Public (not Post Office) Savings Banks, which even then had a glorious record. They are in truth the most unselfish and public-spirited savings banks existing. The Directors of those Savings Banks told me this. And, not content with telling me, they fetched out their books to prove it to me. There had been no diminution, as the figures showed, not even a slackening in the increase of their takings, since the Co-operative Banks had come into the field as their ostensible rivals. In Germany there has of late been some rivalry. But that is only because the Savings Banks (not Imperial, but provincial, municipal or district institutions) have in their greed for money gone beyond their proper sphere in the investment of their “capital,” in a manner which thoroughly shocked our Chancellor of the Exchequer of the time, Lord St. Aldwyn, when I told him of it. They lend out money against pronotes on purely personal security. In the United Kingdom, jealous as our bankers are, and have repeatedly shown themselves—not least so in 1893, when the new arrangement about Savings Banks was under consideration in Parliament, and also in to some extent opposing Co-operative Banks,

resenting any suggestion of an invasion of what they consider their monopolistic prerogative of taking deposits—no one has ever breathed a word to suggest that the deposit-taking of our Co-operative Stores, which has yielded immense sums, has in the least interfered with their own business. In Russia the stimulating effect of Co-operation as a promoter of thrift has been very striking. According to the latest Report of Russian Co-operative Credit Societies the deposits taken by such societies increased from January 1, 1913, to January 1, 1918, from only 650,000 roubles to 150,000,000 roubles. It was during the war, and owing to the emancipation of Co-operation from bureaucratic rule, that Co-operation, more particularly Co-operative Credit, took its great bound upward, which somehow even the Revolution and Bolshevik disorder have not checked.

In the comparatively small Trustee Bank in Sussex, of which I was for some years one of the "Managers," we had—to state only one instance—a depositor, an old shepherd, who had for years and years gone on laying by, as Indians are in the habit of doing, when they lay by at all, unfruitfully—in a stocking. He had in this way during a long life collected a goodly sum. One day his little granddaughter succeeded in persuading him to put his money into our savings bank. And the emotion of that man was really humorously touching, when he came periodically to collect his interest. "What a fool I have been," so he said, "to leave that money lying idle all these years, when I might have got by it such a welcome addition to my little income."

That is the feeling that one ought to try to arouse in the Indian storer-away of jewellery and gold ornaments. And not selfishly so, in the interest of Co-operation only. Provoke the habit of thrift and the mahajan's rule with all its attendant evils and abominations, its peonage, the hopelessness of the raiyat's existence, the clog upon agricultural development, will find its days numbered. Usury comes with poverty. Thriftlessness is its parent. Create thrift, and usury goes as the devil is supposed to do at the sight of holy water.

However, Thrift by itself is not enough for such a serious and chronic state of disease as that prevailing in India. There is too wide a space between the sowing of it and the

ripening. Our starving man requires food on the spot to sustain life. India cannot in its present condition do without Credit.

Now, Credit is a great deal declaimed against and denounced as a hopeless and certain snare, and any number of familiar wise saws and proverbs, as well as biblical texts, are quoted against it—which saws and proverbs and texts are perfectly sound in their bearing. However, the people who so declaim against Credit and denounce it evidently do not know how to distinguish between legitimate and illegitimate, productive and improvident, Credit. For there are both. And at the time when the Bible was written and even when those wise saws and proverbs were coined—which are of far more recent date—Credit of the modern sort, which is the outcome of our modern banking system, was altogether unknown. The Credit there denounced is the old-style improvident Credit, such as the raiyat has taken from the mahajan, which is the rottenest of all money transactions, because only in a small minority of cases, in which the borrower has sufficient grit, and moral and economic strength and opportunity to boot, does it help him out of his difficulty. It is never resorted to except in a difficulty or a case of distress. And its usual effect is to make the borrower sink deeper and deeper in the mire—just as the raiyat does when borrowing from the mahajan, who, in contrast with a commercial bank or a credit society, fixes his terms exorbitantly high, just because he has a most doubtful customer to deal with, and cannot tell if he will be repaid. On the other hand, when a man of grit and skill and honesty sees his opportunity, with the aid of borrowed money, to produce what will more than repay the loan, there can be nothing more legitimate, nothing more sound. Because it not only tends to enrich the borrower with a reward for honest enterprise, and in the course of its use in all probability will give employment to labour and provide a fresh outlet for material and implements and machinery, but by creating new value it will also benefit the community. That is the Credit on which the entire business organisation of the modern world, from State economy downwards, is based. All that enormous economic progress which the world has made—which economic progress, as the late Lord Goschen has remarked, carries moral progress in its train—develop-

ing Commerce, Industry and Agriculture, is due to such Credit—is, in Mr. H. Dunning Macleod's words, "its proper child." And there is infinite scope for more such progress springing from the same root. However, unfortunately, Credit has thus far remained the monopoly of those only who, as one would think, should need it least—that is, the moneyed classes. To them, really, the best gain that their own money has brought has been that of attracting more money by means of Credit. Now it seems high time that, with the general democratisation of all things, such productive Credit—no other is here pleaded for—should be democratised also, that is, brought to the doors of those who may be assumed to need it most, in whose hands, rightly employed, it is likely to yield the largest return, because there it will be to the largest extent mixed with the other productive factors, personal labour and directly applied intelligence—intelligence applied to the smallest details; and because it brings assistance, and the prospect of wealth and comfort, to the broadest part of the social pyramid, in which every human molecule stands to gain by its use and the whole lump promises to be leavened for good. A lakh of rupees distributed among a thousand deserving and producing people, who know how to use it well, is likely to do more social and economic good and fructify more to the profit of the community than the same sum handed over to one man. It is the special office of Co-operation to create and organise such Credit, which capitalist banking *cannot* organise, because, compelled as it is to trust only to property as security, it does not possess the means of creating security out of the extant material: honesty and opportunity alone. It cannot test all the humble cases occurring, take the necessary security in a form other than mere property, and afterwards watch over the loan made so as to ensure its repayment.

Credit, as it has been said, there must be. But that Credit must be dispensed on bearable terms. To such we know already, from what has actually happened in India, and what so experienced an administrator of Credit as Mr. Mitra has put on record, that mahajan usury yields readily. Mr. Mitra has shown that in his Province of Bengal, in at any rate some localities, into which economically justifiable Credit has found its way, the mahajan has

ceased to have "any importance as a village institution." Without such fair Credit in India it is very plain that national economy could not be carried on. It would be idle to think of remedying the existing want of money by any other means. The wealthiest Government in the world, the richest Cræsus among philanthropists, could not provide the hundredth part of what is wanted, by means of a gift. And a good thing it is that it is so. For money unborrowed, which must mean unearned, would only be too likely to make the receiver reckless and unthrifty. Whatever is earned, that is, has to be paid for, is sure to be carefully handled. The object to be aimed at is to produce wealth. Borrowed money will do that quite as well as owned. The hired steam plough ploughs its field as effectively and as cheaply as the owned one. Hired money, which has to be repaid, has, however, this economic advantage over owned : It will of a surety—at any rate in most cases—be laid out so as to be certain to reproduce itself—and "leave a blessing behind," in the shape of property produced, which will be all the more likely to prove abiding, just because it has been earned and laboured for. The problem, therefore, is to create a form of credit which will, by reason of the fairness of its terms, admit of being handled in the way here spoken of.

In India, when the subject was first mooted, there was a load of debt, larger than anyone would care to reckon up in figures, weighing upon the immense class carrying on the main industry of the country in a manner which defied the possibility of redemption by anything that could be given out of resources already accumulated, whosoever might be the giver. Year by year the noose was being drawn tighter, properties were sold up, owners became tenants and in due course slaves. Alienation Acts like that for the Punjaub would delay the completion of the process, but could not prevent the poor cultivator's sinking deeper and deeper into the abyss. And Agriculture was kept languishing. Pusa, Cawnpore, Poona, Chota Nagpur, Coimbatore and the rest of the seats of agricultural teaching and administration, excellently officered as they are, did their best to perfect it, discovering improved and more heavily yielding varieties of planted seed, devising better processes, recommending more perfected implements. Without money in the raiyat's

pocket all these devices proved in practice thrown away. There was no connection practicable between Tantalus and the coveted, deliciously tempting fruit.

As a matter of course, individuals seeking for methods of relief, indispensable under the circumstances, then turned their eyes instinctively to Government. Naturally people look to Government for help. There is an ingrained, inherited traditional idea in men's minds that Government is the "father" of the Nation. Government is, not in India alone, supposed to have an inexhaustible fund of riches at its disposal, which it is at liberty, without counting the cost, to draw upon at pleasure, and to employ without any sense of responsibility, except that for being fair in its distribution to everyone, in whatever way it may deem fit. Governments have tried to help in such a fairy-godmother way under many suns. However, practical experience has not left their helping with the best of records. Whatever may have been ostensibly achieved, at the close of the account it has been found that the money so spent has been thrown away. Peter had been robbed to pay Paul, without either being the better for it.

Some attempts so made and found to end in miscarriage will be specifically referred to.

In India there were, in truth, in the matter of help to be rendered, two problems to be dealt with. One was, to come to the rescue of Agriculture as a calling. The other was to improve the condition of the raiyat by helping him out of his throttling debt. There is, of course, a direct connection between the two. For the raiyats are agriculturists and Agriculture is carried on by raiyats. All the same there is also a clearly-marked-off distinction. The one case is economic and the other social. Government has thus far, within the measure of its power, addressed itself to the first-named problem. By means of *takawi* it has provided money for the sinking of wells, the provision of pure seed, the purchase of fertilisers and feeding-stuffs and perfected implements and for similar agricultural improvements. If the help given has realised only very partial results, the cause is not to be found in the absence of excellent intentions, but merely in the insufficiency of the instrument which alone the Government could employ. In respect of the second problem—otherwise than by such

legis'ation as that against land alienation—fruitful action was found to lie clearly beyond the limits of governmental power.

Takavi is, as the Irrigation Commission of 1901-1903 has found in its inquiry and stated in its Report, a very old-established form of Government help, granted "from time immemorial" by the Imperial as well as by native Governments to necessitous cultivators. It consists in loans of public money, granted at the rate of from 3 to 6½ per cent. —more generally at 6½ per cent., which the Indian Government in its Resolution of November 30, 1905, judged to be sufficiently low. In Madras, Bombay and Bengal for a long time the rate was 5 per cent. *Takavi* is regulated by provisions laid down severally in the Land Improvement Act (xix. of 1883) and the Agricultural Loans Act (xii. of 1884), the former of which gives power for outlay on improvements such as wells, bunds, embankments, terraces and the like; the latter authorises outlay, having more short-termed employment for its object, such as the purchase of seeds, implements and so on. Dr. Voelcker, in his travels on the tour of inquiry—which at the instance of the Government he undertook in the early nineties—found that one or two officers entrusted with the distribution of the fund had stretched a point rather considerably, by granting *takavi* advances for the purpose of paying off debts owing to the mahajan or sâhukâr, in order to replace them by loans burdened with only a moderate rate of interest. Admirably conceived as such use of public money is—provided that the cases warrant it and that there is certainty of recovery—it is not quite easy to see how such employment can be brought within the terms of either of the empowering statutes.

The credit so dispensed does not raise the question which otherwise in dealing with credit is the most important, that is, the question of security—though of course, under the Government's summary power of recovery, in truth all the possessions of the borrower, whether real or personal, come to be pledged—in preference, too, to other claims. The Government must be assumed to have, through its officers, ascertained the amount of confidence due to the borrower—who in truth often enough was not a *claimant* for credit, but had the credit *pressed* upon him. And certainly it possessed the power of recovery, if such were at all practicable. For *takavi* money is recoverable by the Revenue officer.

There is a second question which this kind of credit likewise fails to raise, a question much to be considered when the lender is the Government—that is, the question of the distinction to be made between long-termed mortgage credit and short-termed credit given for momentary wants—for working purposes. *Takavi* is distinctly given for working purposes, as a complement to the borrower's own working capital. Although the borrower's land is, when necessary, seizable as security, the loan is not given on mortgage lines.

Now, in the shape of working credit, although *takavi* has doubtless achieved *some* good, it cannot be pleaded that its record is absolutely immaculate, or that it has accomplished all, or nearly all, that was aimed at by its use. In the words of the Resolution of November 30, 1905, a document already mentioned, it was to add to agricultural efficiency and increase the total produce of husbandry. There have been substantial sums paid out and, although there has been some difficulty in recovering loans, on the whole the money has come back without much diminution. Both the Famine Commission of 1901 and the Irrigation Commission of 1901-1903 have made a most careful investigation of the working of the system, and the Irrigation Commission has embodied in its bulky Report the fullest record extant of its effects, a review both of its merits and its defects. It reasonably complains of "the hardship of rigid recovery, as seriously restricting its application, and also its benefits, and impairing its popularity." These facts the Government likewise recognises in the Resolution named and directs them to be mitigated. The method of collection certainly seems open to criticism, as occasioning serious difficulty for the debtor. He is, as Mr. J. P. Brander—who, to judge from an interesting and instructive letter which I have received from him, has devoted much attention to this matter—explains, required to repay *just when he is worst off for money*. "The practical result is, that many raiyats are unable to repay and Government has to remit large sums of money, advanced in loans, again and again." Or else the raiyat, dropping from the dripping-pan into the fire, has to take refuge with the merciful mahajan.

Dr. Voelcker in his interesting "Report on the Improvement of Agriculture in India" echoes this criticism,

naming as one of the various "objections raised by the cultivators to the *takavi* system," that "the Government insists on punctual payment of interest and repayment of the loan"—whether the cultivator has his grain in or not. And the Irrigation Commission writes: "There is no cause of the alleged unpopularity of the *takavi* system which has more frequently been testified to than the rigidity of the system of collection. . . . Government never or rarely gives time. There can be hardly any doubt that this does constitute an objection in the mind of the cultivator to become a debtor to the Government. . . . It is not merely that he has to pay the interest. That would probably be no greater burden to him than an addition to his land-revenue assessment, which he pays with remarkable punctuality. But he has also to pay an instalment of principal which, if his crops are poor, may be a considerable burden. The Collector or head of the district has authority, under the rules, in all provinces, to suspend payment on the occurrence of failure of crops or other exceptional calamity, subject, however, to a report to higher authority. But this power of suspension is not very frequently exercised, except in years of very general failure of crops; and when it is, the result is merely to postpone payment of the instalment for a single season, with the result that in the ensuing year the cultivator has to pay double the annual amount. The increased payment has often to be raised with difficulty, and it is probable that under the circumstances cultivators would seldom care to apply for suspension of *takavi* payment." By its "Resolution" of November 30, 1905, the Government of India has given authority, and to a certain extent imposed an obligation, to mitigate all this. To what extent its wishes have been carried out I have no means of knowing.

On other grounds, on Mr. Keatinge's showing, still to be quoted, the unpopularity of *takavi* has not grown less. But certainly, on the whole, in spite of all the objections raised, the money appears to have come back satisfactorily. The Commission named, after pronouncing its censure, goes on to admit: "Where advances are made by the Government agency the returns show that it is but seldom that there are arrears of any long standing and the State loses very little on this account." The adverse effect

exercised accordingly appears to be more shown in the restricted outflow of *takavi* than in deficient return. The figures published by the Commission in its Report, covering the decade concluding with the financial year 1900 to 1901—which was a year of comparatively very heavy borrowing, raising the average for the decennium by a considerable amount—show this.

And it certainly is a count against *takavi* that in consequence of its unpopularity, even if there were no other objection, it has been only so little used. The cultivator has fought shy of it. And the land has accordingly gone without the intended benefit. The trouble has been to persuade the raiyat to take the loan.

The efforts which it has proved necessary to make to induce him to do so remind one of the early labours of the Agricultural Section of the Bank of Egypt—the Section which subsequently was expanded into the “Agricultural Bank of Egypt”—whose emissaries literally had, in the first years, as the Report of our Consul-General shows, to stalk about the country with bags of gold coin on their backs, with the chink and glitter of which to allure reluctant fellaheen to accept advances. Indeed, the Indian Government’s “Resolution” of 1905 suggests something precisely of the same sort.

The difficulties attaching to the *takavi* system are plainly set down in its record. “It is not perhaps too much to say,” so reports the Irrigation Commission, “that the history in the fluctuations of the amounts of *takavi* taken up in any province is the history of the interest taken in the matter by the individual officers who were quick to apprehend the kind of improvements which the agriculture of their district required, and the value of *takavi* as a stimulus to the execution of such improvements as were most suitable to the locality and its needs.” It is “where vigorous measures had been started on the initiative of the individual officer” that *takavi* business was done. It was *the officer* who was to discover the needs and press the loan upon the raiyat. An active officer would make a busy market. An indifferent one, or one who did not understand the peculiar needs of improvements or who lacked the power of persuasive oratory, would make an idle one. Now that does not appear altogether the correct way of transacting credit

business. One can understand usurious moneylenders indulging in such practice; for they have their "profiteering" profit to get out of it. But where a good work and sound business are intended it seems decidedly putting the cart before the horse. The Agricultural Bank of Egypt has had its reward in a huge number of seemingly irrecoverable loans.

Under *takavi*, owing to the conditions explained, quite naturally results vary very greatly as between different districts. The figures quoted by the Irrigation Commission show that within the decade concluding with the summer of 1901 something like £4,000,000 had been lent out. But that decade includes the year 1900-1901, in which alone *takavi* outgoings mounted to Rx. 867,693. Taking the result at its best, it does not amount to very much for "India"; and one can scarcely wonder at its failing to achieve even its most immediate purpose, that of stimulating Agriculture as a calling. For the removal of popular distress, indebtedness to the mahajan, improvement of the rural standard of life, economic and moral, and intellectual raising of the raiyat population, its application appears to have done nothing at all.

In this connection a word or two may be permissible, or even appear called for, on a companion case to that of *takavi*, which was, in truth, probably suggested by it—that is, the credit given by the Agricultural Bank of Egypt, which—in the shape projected, and comparable to that of *takavi*—has practically come to an end with the passing of the Five-Feddin Act, which renders properties up to five feddans incapable of serving as pledges, but which, oddly enough—such is human perversity—has even after its euthanasia found admirers in India.

In Egypt in 1898, when Sir Evelyn Baring, afterwards Earl Cromer, was at the height of his influence there, the National Bank of Egypt was called into being, having as one of the special tasks set to it in its Charter the obligation to distribute Government money—at the time it was £250,000—in loans, similar to *takavi*, among the fellaheen. I confess that I was much disappointed at the time. And I do not think, from what he himself subsequently told me, that Lord Cromer would have acted in quite the same way over again, had it been his fate once more to take the

initiative. As a matter of fact, since some years previously the Egyptian Government had been considering how Co-operative Credit might be made available for the native cultivating population, who certainly seem to have stood in urgent need of judicious financial assistance. Lord Cromer at the time spoken of likewise thought in the first instance of Co-operative Credit, and I was informed by the late Lord Ilkeston that I was about to be consulted on this matter. To my disappointment and surprise out came shortly after the scheme actually adopted. I have questioned Lord Cromer at a later stage, when he sat as a Select Committee-man of the House of Lords on my "Thriff and Credit Societies Bill" of 1910. He was then altogether, and enthusiastically, in favour of Co-operative Credit, in opposition to paternal action—more particularly of Co-operative Credit as a help for cultivators. His explanation was that, at the time when he carried through the formation of the National Bank of Egypt he did not consider the Egyptian fellaheen quite "ripe" for Co-operation. Now one can understand his thinking so. But in truth there never was a greater mistake made—as results have proved. And really there is no better educator for credit business than Co-operation.

However, in 1898 in Egypt that was not yet understood. But if I have been correctly informed, there was a hitch, and it was this. There was a question of law and also of international understanding blocking the way. There was the consent of a good many cooks required at that time for making the broth. And it is not always easy to get the representatives of a number of different Governments to act in unison. But this by the way.

Co-operation having been ruled impracticable for the time, it was not unnatural that Lord Cromer, who as Sir Evelyn Baring had spent three years in the Indian service, and was familiar with *takavi*, should have by preference taken that as a model for his own much-needed remedial action. Remedial action of some sort was, as it happened, clamorously called for by circumstances, as they existed. For not only was cultivation then terribly backward, but the reign of usury among fellaheen was nearly, if not quite, as grim and oppressive as it now is in India. It seems a little odd that, just as Sir F. Nicholson has observed with regard to Madras, we

should find a good number of Mahomedans, abjurers of "interest," as they are, among the rapacious host of money-lenders. However, religious precepts are apt to give way when brought into conflict with personal interest.

Alike with a view to countering the Egyptian mahajan, and to promoting more productive husbandry, the Egyptian Government had for a couple of years already—since 1895—tentatively dealt out loans where it considered that such would prove useful, and where its officers could persuade the rather refractory cultivators to accept them. It was at that period, and under the circumstances already referred to, that the Government agents were sent about with their burdens of ringing and shining gold. In 1896 it made £10,000 (about Rs. 1,50,000) available for the purpose, of which sum £7,700 was actually placed in the shape of loans and was honestly repaid—short of about Rs. 300 in all. Fellaheen, like raiyats, are remarkably honest at the outset. In 1898 this office was transferred to the then newly formed "National Bank." The money employed was still the Government's. Subsequently the business became altogether one of the Bank, but with Government aid. The money was lent out at 9 and 10 per cent. in two kinds of loans: Short-term loans on personal security but proportioned to the ascertained value of the land held by the borrower, down to amounts of £1. The maximum limit originally stood at £20; but it has long since been raised to £200. Besides these, there were long-term loans secured on the land, rising at first to £300, but later to £1000. By 1902 the amount outstanding on the two kinds of loans had grown to £1,208,200 in 46,572 accounts. In view of such increase it was judged advisable to create a special banking institution for this work, and accordingly the "Agricultural Bank of Egypt" was called into being, with power to engage in other banking business besides, which it appears to conduct with skill and also with success, but with a distinct precept to cultivate business with the fellaheen, advancing money in amounts not exceeding £100 on real security (mortgages on the land) or £5 on personal security (but regulated by the ascertained value of possession held in land), for current purposes. Very complicated arrangements were resorted to to ensure that the security pledged was really good and made thoroughly

secure—arrangements which imperatively demand active assistance from public offices, with the right of inspecting land-tax registers, and collection by the Government tax gathered under, if necessary, compulsory process.

"The assistance rendered to the Bank," so wrote Sir Eldon Gorst, Lord Cromer's successor in the Consul-Generalship, in his Report home in 1911, "has not been confined to the collection of its instalments by the tax-collector. No efforts have been spared by the officials to bring home to defaulting debtors a sense of their obligations, and there is no doubt that, at all events in Lower Egypt, these efforts have had considerable effect on the returns." Nevertheless, as we shall see, recovery was bad, and went from bad to worse.

The machinery adopted was highly complicated. There was sending documents backwards and forwards and there were ample opportunities for levying backsheesh. All this is certainly not a recommendation for the acceptance of the system in India. That is, however, not all that wants to be said. In course of time the erst-reluctant fellahs grew keen in their appetite for loans. That is an experience common in cases of popular credit made easy. And it is invariably accompanied by an increasing indisposition to repay, as the shifts come to be discovered by which repayment may be for a time, or indefinitely, evaded. And they are freely resorted to, with an admirable resource of cunning. The complicated arrangements devised to regulate the loaning, involving numerous references from pillar to post, quite naturally added a further incentive to the evasion of repayment. There was a great boom at the time in Egypt, which tempted and almost drove people into extravagance and improvidence. Values of property in land shot up like Jonah's gourd. A fellah might, if he had been providently disposed, get rid of his entire mortgage debt by selling the sixth part of the property pledged for it. However, such chances were only rarely taken advantage of. There was not sufficient provision made for the restriction of Agricultural Bank lending for productive purposes only. Accordingly people borrowed for indulgence in luxuries and extravagant living. In 1910 it was found that among about 40,000 borrowers 2,500 were in arrear. And the financial member of the Khedive's Council frankly admitted: "It

is to be feared that the difficulty experienced by borrowers to repay their borrowing is, in only too many cases, the consequence of the improvident employment given to the money lent them. The practical conclusion to be drawn from this observation would be, not to grant loans asked for except for remunerative purposes. But it is evident that a bank is wholly incompetent to make sure what its 250,000 customers propose to do with the money borrowed by them. A solution might possibly be found in the creation of co-operative credit societies, acting as intermediaries between the bank and the cultivators. Their guarantee would safeguard the bank against any danger of loss, and on the other hand they would keep the borrower in hand, so as to make sure that no advance would be granted except for a remunerative purpose." And the Board of Directors stated in their annual Report: "It is to be feared that in only too many cases the inability of the borrowers to meet their engagements arises from an unproductive employment of their loans," thus accounting for a large amount of loans not recovered. In 1911, Professor Arminjon, an old resident in Egypt, and a keen observer of economic goings-on there, a teacher at the *École de Droit* of Cairo, wrote in his very valuable book "*La Situation Économique et Financière de l'Égypte*," remarking upon this question: "The idea suggesting the foundation of the Agricultural Bank was of the happiest. . . . The peasantry have largely drawn upon its resources—now grown to £8,000,000 (that is, of twelve crores of rupees; at the present time they stand at £10,310,000—that is, fifteen crores). To what uses has this enormous capital been put by them? Only too often to one that was quite unproductive: to pay the expense of some merrymaking, to buy some young fellow off his military service. Even where the loan has not been squandered in this fashion it has often enough been wasted upon the purchase of land that did not pay the interest and sinking fund of the loan. During the last two years the Bank has been able to recover its loans only partially and with great difficulty." In the same year Sir Eldon Gorst, who had succeeded Lord Kitchener (Lord Cromer's successor) as Consul-General in Egypt, wrote: "There appears to be little doubt that the fellah has accustomed himself during the last few years to a higher scale of living,

aided thereto by the increase in the value of his crops and by the loans of the Agricultural Bank . . . and that it is only by the severest pressure of circumstances that he can be brought to recognise the necessity of fulfilling his obligations at the sacrifice of comfort. He is also realising more fully that he can delay repayment of his debts to the Bank with temporary impunity. There is evidence also of a considerable amount of borrowing from the village moneylenders during the less favourable seasons of 1908 and 1909. When a fellah owes money both to the Agricultural Bank and to the moneylender, there is no doubt that the latter recovers his money before the Bank."

In 1904, when Sir F. Nicholson, after a visit paid to Egypt, recommended the system of the Agricultural Bank of that country for imitation in India, the Government caused a careful inquiry to be made into the matter by a highly competent authority, as the result of which it found that the Egyptian system would not at all do for India, for the following, among other, reasons : (1) The Government machine is in India quite unsuited for it. Among other things India knows of neither *omdeh* nor *saraf*, village officers indispensable for the conduct of the business ; and the Government could not find the staff of rather higher officers who in Egypt are paid a miserable salary to do the necessary work at a cost proportioned to the business. (2) The Government could not in India give the information respecting title and the value of property which is indispensable for a loaning service after the Egyptian pattern. That would be so even in *raiyatwari* districts. In *zemindari* districts the matter would be quite impossible. (3) The Indian Government could not place the services of the tax-collector at the disposal of such a Bank. And (4) the business of the Egyptian Agricultural Bank, even when showing a good income, shows a steady decline of just the small loans which it is particularly desirable to encourage. Loans of Rs. 75 and under went down rapidly.

In spite of all official assistance, recovery had indeed become hopelessly bad. In 1910 arrears amounted generally to 18·9 per cent. of the payments due. For Upper Egypt they stood at 53·8 per cent. And they went from bad to worse. By 1913-14 they had grown to 26·4 per cent. In 1914-15 under exceptionally unfavourable circumstances they

stood at 74·4 per cent. The figure for 1915-16, being the last in my possession, was 25·8 per cent. Surely that is bad enough. In 1913 there were legal proceedings pending against 2,544 defaulting debtors, among a total of about 40,000. The number eventually grew so large that proceeding in Court was out of the question. That would have been similar to Burke's "indicting a nation."

In 1913, as it happened, a kindly meant law, benefiting the fellahen in another way, practically deprived the Agricultural Bank of the business for which more in particular it had been called into being. The Five-Feddān Act granted to properties not exceeding five feddāns—the feddān is somewhere about the size of an acre—"homestead" rights, exempting them from liability to be attached for debt and thereby depriving them of their qualification to serve as security for loans. "This is a complete reversal of the policy of the Egyptian Government that led to the formation of the Bank," so wrote the Directors in their next following annual Report—the Bank "which was founded with the object of lending to the small cultivators on the security of their land. . . . Of the 235,000 clients now on the books of the Bank the large majority are holders of five feddāns or less. The law thus reduces the business of the Bank by two-thirds. . . . It will be necessary to create a new system of Agricultural Credit."

The "new system" to be adopted evidently is the co-operative—which means that the very object for which the Bank was created, endowed with a large capital and invested with far-reaching powers and privileges, has not been attained, and that the great capitalist and "paternal" scheme has failed. The Bank is a good, strong Bank for all that, which finds plenty of other remunerative business to do, and to all appearance does it well—just as did Gambetta's *Caisse Centrale*, although failing in its original object, as an aid to popular credit.

As already observed, authorities in Egypt have for some time been addressing their attention to the subject of the creation of a Co-operative Credit Movement. The Agricultural Bank, for its own part, finding itself foiled in its original purpose, has during a few years back been endeavouring—possibly designedly, as a preparation for a more co-operative scheme, or else as a tentative probing of the

ground—under powers newly conferred by the Government, to afford financial assistance to “Agricultural Syndicates” and, in the shape of “collective loans,” to “groups of cultivators.” The results, however, of this attempt have remained derisory, amounting to only £E20,000 in one year and £E6,000 in the next.

The tale, then, of the “Agricultural Bank of Egypt” is manifestly, as an example for India, a tale of failure—as it was bound to be and as the tale of every similar enterprise taken in hand, with the same laudable motive but on similar ineffective lines, has been before it. There have been not a few such attempts.

The services of the Agricultural Bank, by the way, have not contributed at all satisfactorily to the improvement of Agriculture and its productiveness in Egypt. In spite of them “cotton-sickness” has gone on increasing because the land is being uneconomically worked out. Certainly the fellaheen have not been rendered more thrifty. Rather have the facilities for obtaining money without proper guarantees for economic employment turned a thrifty race into an improvident one, which is one of the most detrimental disservices which can be rendered to a country. Also the number of cultivators and farms have not been increased; there has been no extension of “settlement.” Sir Eldon Gorst, the late Consul-General, in one of his annual Reports, calls pointed attention to this. “The impression that the loans have contributed to augment the number of small owners is erroneous. The Bank does not lend to anyone not already possessed of land, so that it cannot create new individual holdings.”

To return for one brief moment to *takavi*. Remembering how very inadequate *takavi* has proved as a means of relief to the debt-burdened, and as a stimulus to agricultural improvement, one cannot, in the presence of the more efficient method now within reach, help regretting that in its session of December, 1917, the Indian Board of Agriculture should have harked back to the more or less exploded old idea, recommending that *takavi* should be given “more freely than has hitherto been customary, to enable the *raiyats* to purchase such manures, improved seed and implements, etc., as are recommended by the Department of Agriculture.” Mr. Keatinge’s remarks to that recom-

mendation show that the failings in the *takavi* system complained of by the Commission of 1901 have not grown less, in spite of the admonition addressed to the executive organs. Apart from "a lack of available funds," to be apprehended, so Mr. Keatinge said, "the staff of the Revenue Department was not able to give all the small sums and check them. His experience as a Revenue Officer was that such sums are frequently misused. . . ." He would prefer to see co-operative societies doing the work and strengthened to undertake this work on a large scale, as he doubted if Government agency was the right channel. The French have a proverb which says that the better is the enemy of the good. There are cases—and the present seems to be one—in which the very moderate good becomes a distinct obstacle to that which is better. For the sake of a little, for the present still only problematic, relief—relief problematic because experience has shown that, unless it is officially and impressively forced upon intended beneficiaries, it is not accepted—providing a little money for the moment, but rather enfeebling than strengthening character (as reducing instead of encouraging the natural instinct for self-reliance and independent effort), a slower, so it is true, but far more enduring and ultimately more effective remedy is to be put aside. The man who is taught to trust to *takavi* is not likely to become a co-operator, any more than is an habitual beggar liberally encouraged with doles to become a sturdy worker. It is not the use of an air-bladder and safety-belts that teaches a man to swim. The *takavi* borrower repays because he must. But his disposition to exert himself and to stand upon his own feet is sure to lose in fibre. Obviously the factor of production above all others to be strengthened and stimulated is the man himself, not his purse. And such factor is to be strengthened only by putting the man upon his responsibility, as muscle will grow strong only by exercise. You may talk of the necessity of spreading out Co-operative Credit over all the Empire. Increased employment of *takavi* loans will not accomplish, but will rather hinder, that. In Ireland, now that, stimulated by the example of co-operative credit societies, joint-stock banks have grown more liberal in the granting of small credits to small men, on purely personal security, in the way of Scotch cash credit, there has come to be less demand

for co-operative loans. In Ireland, as it happens, at the present time the form of Co-operation most urgently needed is not that of Credit but that of Distribution. The most bloodsucking mahajan of Ireland is the gombeener of groceries, cloth, hardware, and so on. When he has been conquered other needs will assert themselves, and Co-operative Credit, which has rendered yeoman service in the past, is not likely to remain long in abeyance. Co-operation, to be fully effective, must be one and complete. Also it should be pointed out that borrowing from joint-stock banks could not, like *takavi*, reduce fibre, inasmuch as, the same as Co-operative Credit, it calls for an active sense of responsibility, though falling short of co-operative elasticity. In India, by common consent, the first thing now needed is Credit. And, moreover, India does not possess that host of joint-stock banks, with offices scattered everywhere, and a willingness to deal in small and purely personal loans that Ireland is happily blessed with. Accordingly in India you have not even a partial substitute for Co-operative Credit. If you want the raiyat's financial position genuinely and permanently improved, there seems no way for doing so at present open to you but to discourage patronising credit and encourage credit to be earned by the self-help of Co-operation.

Experience has, as already stated, been the same in all similar undertakings. More rulers than one have, prompted by the same humane desire which guided Lord Cromer, tried to bring relief to Agriculture and the cultivating classes by financial help from outside. Things were to be made easy for the borrower. At the same time there must be security for repayment and a guarantee for proper use. It is like setting a philosopher to make a curry. The lender knows nothing of the borrower, and the borrower nothing of the lender. There is a net spread. But the meshes have in every case turned out to be either too wide or else too close. In one case they let in the wrong fish, in the other they kept out the right. The matter, it must be confessed, is full of difficulties. And there is only one way of meeting them.

Napoleon III. *Crédit Agricole* is a notorious instance in point. Here was a share capital of Rs. 1,20,00,000 made available for lending, with power to raise more by loans. The distinct object of the institution was to help

the small cultivator, who has a vote and is in France generally speaking the ruling factor in politics. Here there seemed accordingly a wide field open for effectually binding him to a benevolent Government, while at the same time bringing him much-needed relief. For Rs. 1120,00,000 meant considerably more in 1860 than it does now. However, the fish for whom the net was spread would not come in. The terms of credit offered were altogether of a nature effectually to deter them. But the money was there. Deposits came in. The Institution's bills were discounted at other counters. A dividend must be earned. So the Institution ran after other business which its Directors—being selected as supposed experts on specifically Agricultural credit—did not understand. And the Institution came to grief with its liability exceeding its assets by nearly Rs. 200,00,000. Gambetta's *Caisse Centrale*, devised for popular industrial and commercial credit, fared better only because it abandoned its original object altogether in time to save its skin. It turned over its capital and services to ordinary capitalistically commercial purposes, just like the Agricultural Bank of Egypt in the present day. The same thing has happened over and over again. I have quoted instances in "People's Banks." King William I. of Prussia, German Grand dukes and Grand duchesses, Spanish Bishops, Austrian Diets, municipal bodies in various countries, all sorts of benevolent people have tried their hand at the game, one after another in the wrong way, putting the cart before the horse, finding the money first and expecting the question of security and proper employment to settle itself. All these things would not do. The well-intentioned authorities who were labouring to bring much-needed relief were clearly "boring with the wrong tool." If India was to have the credit which it needed—needed, as has been said, for a twofold purpose, as an economic means to place Agriculture on a more prosperous footing, and as a social, to bring freedom and comparative ease to the raiyat as a citizen—such credit must be organised on different lines and governed by different principles: be less rigid in form but more strict in substance; more accessible to the cultivator but providing more adequately for its own repayment; very elastic in method but satisfactorily ensuring employment on proper objects. No Government in the world, be it ever so wealthy or ever

so powerful, could provide such credit out of its own resources. The mere volume of what is required would place achievement beyond its reach. And the other conditions imposed, on the face of it, lie hopelessly outside its grasp, machine that it is, with no soul, no mind, no adaptability, no sense of responsibility in its operating parts. The machinery to be provided could only be supplied by the people themselves who were to profit by it—and that much wider, practically immeasurable circle to whom appeals for money have to be addressed, not on the ground of Government-ordained forms, but on the ground of intrinsic security. It wants to be alive, an animate machine; with capacity for thought, observation, knowledge, and a keen sense of responsibility in every part, every spring, every wheel, every cog, acting under the impulse of a living, watching, striving mind, conscious of its duty, and with keenly awakened realisation of its responsibility and own interest.

Experience has shown that it is not authorities with the big purse that are wanted to set the thing in motion but the persons, be they ever so humble and ever so poor, who can provide security that will satisfy the lender. The whole matter hinges, not on money, but on security. Money there is, as the late Lord Salisbury has put it on a memorable occasion, in plenty. "It is overflowing in the coffers of our bankers." The problem is how to lure it out of its hiding-place. And the proper magnet for that work is Security.

Let us cast just one brief look at the origin and the governing idea of democratised Credit, such as is seen most fully developed in its co-operative form, and observe how it naturally grows out of the requirements for which it is needed, and has, being natural and directly suited to the conditions of the case to be dealt with, managed successfully to achieve what is needed.

Going to the root of things, it is Scotland, which by its activity and its inexhaustible resource in business method has revolutionised banking, at any rate among English-speaking peoples—from whom others have learnt—which has given the lead in the solution of this banking problem—Scotland, prodded to the act in this case by the House of Hanover in the hour when in that country that House was

least popular. The object aimed at was not originally to do economic good, but to produce a political effect, to bring into the field a powerful influence making against the dominating strong Tory feeling, which prevailed also in the banking world. The Bank of Scotland was financially a Tory stronghold. The Hanoverian Crown chartered against it the Royal Bank of Scotland, endowing it with the right of an unlimited issue of notes—which of course became general in Scotland, and, in spite of what appears to us its serious danger, worked very satisfactorily. The new form of business adopted has grown common. But it was the Royal Bank of Scotland which began the work and, to get rid of its notes, and place them in the market where they would count as money, offered credit wholesale in large or small amounts to whosoever could produce satisfactory security. Thus what has become known as “Scotch Cash Credit”—which is a far better regulated thing than what in England is known as “overdraft”—took its birth. To canny Scotchmen, ever on the lookout for opportunities for earning, the convenient facility was not offered in vain. Cash credit, did not go a-begging. The country became covered with banking offices, and every tradesman, down to the smallest, took a pride in “keeping his banker,” as it was called. Business advanced by leaps and bounds around cash credit, and, in the words of its chosen historian, the late H. Dunning Macleod, whom Sir Daniel Hamilton has lately quoted—with something like daring, considering that he compares the case of the India that is to that of the Scotland that was—it raised the country “in the space of a hundred years”—which appears to be a longer period than Sir Daniel is prepared to accord for Indian regeneration—“from the lowest state of barbarism up to its present proud position.” “The far-famed Agriculture of the Lothians,” so Mr. Dunning Macleod continues, “the manufactures of Glasgow and Paisley, the unrivalled steamships of the Clyde, are its own proper children.”

Well, this “Cash Credit,” although it has the distinct merit of attaching the car to the right horse, which means the finding *first*, not of money, but of security, is after all only a capitalist institution, which would not answer at all for the Indian raiyat. It does not deal in the small amounts which the Indian raiyat needs. And it is based on a system

of security which in its Scotch shape the raiyat could not provide. However, it contains in germ the essentials of Co-operative Credit. It is, so I would remark by the way, strictly personal. It places nothing out of use or under lock and key that the borrower might want, to provide a pledge. It bases the security which it supplies, not on land or houses or chattels, but on personal suretyship—still, however, in a capitalist sense, supposing existing property to be underlying suretyship. However, the main point is that it is produced by the voluntary co-operation of people who know one another, and who can very effectually check one another, and unreservedly go bail for one another. For, as matters stood at the time, although very naturally sureties limited their engagements to a certain figure approved by themselves, their liability to the lending institution, the bank, extended to the whole of their possessions. Of course the bank reserved to itself the right to accept or reject sureties offered. Of course, also, it reserved to itself the right to fix their number according to the exigencies of the case. All persons likely to be offered as sureties are not equally substantial. There have been as many as eleven—perhaps more—sometimes for one loan. On other occasions one was deemed sufficient. However, the cardinal point was this, that these men, pledging their liability, were in a position effectively to watch and control and check the men for whom they went bail. “This system,” so state the two Committees, severally of the House of Lords and the House of Commons, sitting almost contemporaneously in 1826 to inquire into “the State of Circulation of Scotch and Irish Notes,” in their Report, “has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct ; and if they find that they are misconducting themselves, they become apprehensive of being brought into risk and loss from having become their sureties ; and if they find they are so misconducting themselves, they withdraw their securities”—“the practical effect of which,” so deposed a witness quoted, “is, that the sureties do in a greater or less degree keep an attentive eye upon the future transactions and character of the persons for whom they have thus pledged themselves ; and it is perhaps difficult for those who are not intimately acquainted with it, to conceive the moral

check which is afforded upon the conduct of the members of a great trading community, who are thus directly interested in the integrity, prudence and success of each other. It rarely, indeed, if ever, happens that banks suffer loss by small cash accounts."

Here we have the pith of the whole matter, the seed of the great tree, that is to be, the principle in a nutshell. "The great trading community" is nothing like an essential condition. We know now by experience that the same method, properly adapted, will produce—as it has meanwhile produced—precisely the same effect in a great or small agricultural community. The coat wants to be measured to the body. The main point is that there must be a co-ordination of forces—joint action; and that, to make such effective as a credit-raising power, there must be absolutely effective control.

Adapted to its environment the principle here set forth as containing the seed of Co-operative Credit has worked veritable wonders in Europe, raising for the use of moneyless cultivators sums such as in view of their prodigious amount only under an exceptional provocation could Governments dream of raising; distributing them widely, but for the most part in amounts corresponding to the humble requirements of the receivers, but with peculiar skill in apportionment, on just the right spots, and recovering them unfailingly, without compulsion or summary process, generally speaking without loss, bringing out in the process the remarkable resources of Agriculture possible where there is sufficient money to feed it, so as to impart to it a different face altogether, a face of unexpected plenty; raising the poor, despised, backward, impoverished raiyats of Europe hopelessly indebted as they were sixty and seventy years ago to their European mahajans—for things were much on a par in Continental Europe then with what they are in India now—to a position of comparative comfort and ease—at the same time spreading education, raising the people benefited intellectually, socially and morally, as well as economically—triumphantly solving, in truth, the two parallel problems to be dealt with, of which I have spoken. It has appeared a veritable miracle even to very learned economists. Professors of Political Economy, at our most famous seats of learning, have expressed to me their wonder at the evolving of such

results from what seemed a mere nothing to begin with—a dream that mere learning could not realise. However, there is the fact. And it is too patent to bear disputing.

Could this same beneficial agency—that is the question which one had to ask oneself twenty-five years ago—be applied with the same or similar effect to India, a country so very different in its main characteristics from European countries?

Happily there were indications to go upon which heralded success. There is a natural disposition to gregariousness, which produces common action, in practically all races constituting the population of the great Asiatic Empire. The Hindoos have the tradition of their world-famed ancient Indian “village community” and are used to doing things in common. The Moslems have a sympathetic fellow-feeling towards one another inspired by their religion. Even among the aboriginal and cognate tribes there appears to be a readiness to act in clusters.

And this tendency has ere now blossomed into actual instances of common action. In his masterly “Report regarding the possibility of introducing Land and Agricultural Banks into the Madras Presidency” Sir Frederick Nicholson shows how “from time immemorial” Indians of his Presidency have sought relief from their want of funds in a very primitive way, naturally but very unfortunately very liable to serious abuse, in “Kuttu Chittoos” and subsequently in “Nidhis”—the latter being formed in imitation of our British Building Societies, which are—like the Chitfunds, which resemble our English Slate Clubs—likewise very open to abuse by exploiting greedy organisers.

Apart from the *Nidhis* of Madras, such native predisposition is strongly testified also in the organisation of the *Akharas*, which occupy a similar position in the United Provinces, and about which Mr. Dupernex has, in an instructive and closely argued Report on the whole question, written in 1900, given some very interesting information. As a matter of course, because the *Akharas* select their members with some care, expel unworthy ones, and lend only for approved purposes, they are supposed to be identical in character with the Raiffeisen societies. The same claim has been set up on behalf of the Middlesex Self-help Societies and of the Hotokusha of Ninomiya Sontaku in Japan. How-

ever, in all these cases, although there are undoubtedly points of resemblance, the points of difference are more pronounced and more numerous. Among other things their organisation lacks the Raiffeisen ideal. Indeed, according to Mr. Dupernex's account, the *Akbara Wallas* are rank impostors, piously rubbing their bodies with ashes and pretending to be God-serving mendicants while all the time they are very Jews for the greedy amassing of wealth. But, in spite of all this, here is distinct evidence to be found, even in these abortive societies, of a natural bent among the native population for Co-operation. And it is also decidedly interesting to note, in view of the question now so much occupying public attention with regard to Co-operative Credit societies in India, that the members of the *Akharas* have long since found out the great practical importance, and, indeed, necessity, of careful supervision and control of the societies. They had then two central panchayets, severally at Hardwan and Baroda, which carefully checked and scrutinised the accounts, and appear to have been unsparing in the infliction of penalties. In view of some trouble which we have now to contend with in the matter of abuse of powers by panches, it would be interesting to learn what precisely are the "special measures taken" in the *Akharas*, "to prevent embezzlement by any of these men."

Imperfect and readily liable to abuse as these institutions are, their presence seems to argue a natural bent towards common action for the obtainment of the very end upon which Governments have wasted their efforts in *takavi* and Egyptian loans A and B, in *Crédits Agricoles* and other well-meant but more or less abortive expedients. Such bent is, perhaps even more strongly, and certainly more suggestively, testified to by the *lānas* or *rāthas*, and also the *dāngwaras*, of the Punjaub, of which I shall have to speak at a later stage, in which a number of cultivators designedly join together for common use of their draught cattle and the common execution of agricultural labour of every kind.

But evidently there is even more in the Indian character and temperament to justify a favourable horoscope for attempts to introduce Co-operative Credit, such as the European Continent has elaborated. There was not a single Anglo-Indian to whom I in those early days expounded

the principles of that Co-operative Credit who did not at once discern in it the agency in which lay the hope of rescue for the debt-burdened rural population and the neglected and backward Agriculture of India. The message was everywhere received with gladness. When in 1894, in his little Tusculum at Dorking, I set forth the meaning of Co-operative Credit—it was of the Raiffeisen type—and related what it had achieved and might achieve in India, to the then nonagenarian constructor of the Colerone anicut, the trusted adviser on Indian affairs for many years to the late Prime Minister, W. E. Gladstone, Sir Arthur Cotton, his delight at the tale scarcely knew any bounds; he sprang up and exclaimed: "That is the very thing for India; and whatever expectations you may have formed as to results, multiply them tenfold and you will still find them exceeded."

That prophecy, greatly cheering at the outset for the work about to be taken in hand, is now in plain course of fulfilment. How the matter was brought about must be a tale for the next chapter.

II.

THE COMING OF CO-OPERATIVE CREDIT

MUCH as the want of Co-operative Credit was felt in India, during decades, not to say a longer time, its actual advent proved slow and lagging. The late Sir William Wedderburn has told me that he began pleading for it in the early seventies. That statement will in all probability have to be taken as meaning that at that comparatively early date he advocated measures of *some* kind calculated to relieve the severe distress of the rural population, representing over 80 per cent. of the people of India, owing to the prevailing lack of money and the resulting prevalence of debt. For in the early seventies Co-operative Credit and its principles may be said to have been still unknown beyond a very narrow circle of German and Italian pioneers. Sir William's own account of his actual suggestions did not altogether bear out that what he originally proposed was Co-operative Credit. The peculiarity of Co-operative Credit, more specifically, which has since been generally singled out by everyone acquainted with the circumstances, as specially marked out for application in India, that is, the Raiffeisen type, was generally speaking still waiting to be revealed. Sir Robert Morier had, as British Minister at Darmstadt, seen the Schulze Delitzsch type at work, and sung its praises to our British Co-operators at their first Congress, held at Manchester in 1868. However, that was a type of Credit, as then practised, suited more particularly to meet the needs of small and medium tradesmen and jobbing artisans pushing upward to higher planes. The Raiffeisen system never became known, even in its own native country, until after the inquiry instituted in 1874 and 1875 by order of King William of Prussia by a Royal Commission—a Commission composed of three highly qualified experts, namely, Professors Held and Nasse and Herr Siemens, the introducer, by the way,

of agricultural beetroot-sugar manufacture in Germany. That Commission issued a most laudatory Report, which at once established the popularity of the new system and secured its diffusion under royal favour. It rapidly ingratiated itself—on the score, more particularly, of its ideal aims and its social and moral achievements—with all classes in Germany having a connection with rural life, alike Government, priests and ministers of the several churches, and philanthropic landowners. But it still took nearly twenty years to fill up, to any extent, its cadres then created and make of it a real living economic and educational force. Once that point had been reached, the triumph of the system was great and unchallenged and it spread rapidly over the rest of Europe, and not long after even beyond the limits of that quarter of the globe, to dispense everywhere fresh material benefits and raise the standard and the tone of rural life.

So far as India is concerned, the first trustworthy evidence of an advocacy of specifically co-operative credit that I have been able to trace is that of Sir Henry Storks's making himself its spokesman before the Government of India in 1883. That was—so it may be permitted to point out as a curious coincidence—the very year in which Léon d'Andrimont started the Co-operative Credit movement (on Schulze Delitzsch lines) in Belgium, which was destined to achieve rather signal, though only temporary, success; the year also in which Leone Wollemborg opened the first (foreordained to become the mother of a more than thousandfold offspring) Raiffeisen society in Italy; in which, furthermore, Professor Tanviray formed the first Agricultural Syndicate in France, at Blois, which was destined to tiller into a rich crop of organisations of the kind, working, according to the testimony of Lord Reay, "veritable wonders" in the spread of education; and the year in which Wilhelm Haas, having separated himself from his master Raiffeisen, in disappointment at his holding so tenaciously fast to his ideal objects, inaugurated his feeble offshoot union of agricultural supply societies in Hesse, which under active Government protection was destined to develop in due course into the mighty "Imperial Union" of Germany with, at present, about 20,000 societies of divers kinds addressing themselves to the satisfaction of every conceivable branch of agricultural busi-

ness and rural wants except ideal ones, but including credit, with something like two million members. The year 1883 was therefore a fruitful hatching period for Co-operation.

In India Sir Henry Storks's pioneer attempts remained without results. His ideas as to what was to be done, of course, were at that early date not very clear, and his proposals were thought rather nebulous. The need of some remedial measure was, however, universally admitted. Agriculture was known to be backward—not because the Indian cultivators—who grew their wheat and paddy probably centuries before British husbandmen knew of their existence—failed in knowledge or aptitude for their calling, but because the *nervus rerum*, the cash indispensable as a driving force, was lamentably lacking. And the rural population was known to be in a state of crying destitution and oppressive peonage, steeped over head and ears in debt, and falling an easy prey to famine and drought whenever such occurred.

In respect of the need existing Sir Henry found no one to gainsay him. But ideas as to the proper remedy to be applied were still vague and unformed. *Takavi* was being tried and *takavi* was proving only very partially effective.

Meanwhile Co-operative Credit was forging fast ahead on the European Continent. Co-operative Credit societies of various sorts kept multiplying and gave proof of admirable capacity for work. In a manner, I may say, they became at an early date familiar to myself. For in the late fifties and the early sixties I lived in Germany and had evidence of their work before my eyes. About 1890 I took up the study of them in good earnest. And in 1892 it was my good fortune to be the first to call attention, in the *Economic Review*, more particularly to the remarkable ideal as well as economic working, more specifically of the Raiffeisen societies. The Schulze Delitzsch societies had found an, it is true only partially informed, eulogist some years before in Sir John Lubbock, afterwards Lord Avebury, who in 1889 pleaded in the House of Commons for the substitution of something of their kind in the place of our savings banks, on the ground—since strongly supported by so experienced and well-informed an authority on the matter of thrift as Sir Edward Brabrook—that, instead of placing savers in the position of tutelage, as our savings banks do, they constitute them the guardians of their own thrift, thereby

educating them economically and training them to a knowledge of business and judgment in dealing with money.

About the same time—in 1892—a curious experiment which has some bearing upon the question of Co-operative Credit was entered upon by some enterprising people at Panjavar in the Punjaub. The common land there was handed over to trustees to administer on behalf of co-sharers, the profits resulting to be applied in the shape of loans to the co-sharers wherewith to pay off their debt. Though in no wise on all fours with co-operative banking, this experiment may be said to have given some encouragement to the co-operative idea. It is stated to have proved successful and to have served also to enhance the value of the land dealt with. The authors and leaders in this experiment were Sir Edward Maclagan and Captain Crosthwaite.

In 1893 I brought out my book "*People's Banks : a Record of Social and Economic Success*," which was fortunate in being the first book in the English language explaining the various systems of Co-operative Credit and their principles. Although interest in the subject of the book was naturally limited within a certain narrow radius, the information proffered was happy in its reception ; and it is not surprising that within that radius very notable Anglo-Indians were to be found. In India interest had arisen before, and as early as in 1892 the late Lord Wenlock, when Governor of Madras,* had told off Mr. (now Sir Frederick) Nicholson for special duty, to inquire into the subject of co-operative banking as practised in Europe, the result of which remains a permanent monument of admirable public service, on record in Sir Frederick's truly masterly Report, the first volume of which appeared in 1895.

* The late Lord Wenlock was a convinced believer in Co-operation. Before setting out for India he had formed a co-operative distributive society, for the benefit of the villagers, at Escrick, near York, in which parish his family seat was situated. In 1899 he took an active part in the formation of the "*British Agricultural Organisation Society*," formed in imitation of the Irish founded by Sir Horace Plunkett, and became its President. In 1908 he kindly undertook the sponsorship in the House of Lords for my "*Thrift and Credit Societies Bill*," which he championed with unmistakable interest. Although jockeyed out at the time by the Government of the period, the same Bill made a triumphant passage through the House of Lords on the unanimous recommendation of a Select Committee which, by the way, included Lord Cromer, the founder of the "*Agricultural Bank of Egypt*," among its members.

By that time, however, we had made not inconsiderable progress in the "India" of London. Retired members of the Indian Civil Service, to whom I had explained the Raiffeisen system, owned themselves greatly pleased with what I had told them and, as if by common consent, declared that system to be the one marked out for application in India. Prominent among these was, as already related, Sir Arthur Cotton, the constructor of the Kistna, Godavari and Cauvery Canals, and Mr. Gladstone's chosen confidential adviser on many Indian questions.

In the same year the late Sir Charles Bernard, at the time at the head of the Revenue and Agricultural Department at Whitehall, and a true friend to the population of India, sought me out to ask my advice respecting the best form in which to introduce Co-operative Credit into India. There was a good deal of confabulation and correspondence. But we soon came to see pretty clearly in what direction remedial action would have to be taken and began formulating plans.

Mr. Nicholson's tour of very careful inquiry was followed by a rather hurried visit to me from Mr. Henry Duperne, of the United Provinces, told off in 1899-1900 for the service by Sir Anthony Macdonnell (now Lord Macdonnell) at the time Lieutenant-Governor of the provinces named, and, like Lord Wenlock, a thorough believer in Co-operation, whom in 1910 I was thankful to see seconding my Co-operative Thrift and Credit Societies Bill, brought in by the Earl of Shaftesbury, and who as a member of the Select Committee appointed to examine the Bill, rendered most valuable service to the cause of Co-operation. Unfortunately Mr. Duperne's time seemed very narrowly measured. After he had read my book we had a long palaver in London, in the course of which I explained things as well as I could. But I wanted him to see for himself societies in Germany and Italy, which I still consider were the only ones to prove of real service to him. I offered to give him the necessary introductions. However, he had not time to do more than just break his journey to Brindisi. And so I had to content myself with giving him an introduction to the People's Bank at Mentone, which we do not consider very "co-operative." That brief and exclusive visit has, I regret, left a mark upon the Co-operative movement in India, which I cannot help looking upon as a *damnosa hæreditas*.

In June, 1900, I addressed the following letter to Lord George Hamilton, at that time Secretary of State for India :

MY LORD,

June 26th, 1900.

Some time ago your Lordship was reported, alike in *Hansard* and in the daily newspapers, to have stated in the House of Commons that on the proper opportunity presenting itself the India Office would be willing to afford facilities for the establishment of co-operative agricultural banks in India.

Since then, among other people, Mr. Dupernex, of Banda, who came to see me about the matter when in England, and who is, in some sense, a pupil of mine in this business, has brought out a book, of which I beg your Lordship to accept the accompanying copy, and to which I would humbly venture to call your Lordship's attention. And he hopes to do something towards establishing co-operative banks in the North-West Provinces. His book is shortly to appear in Hindostanee.

I do not subscribe to every word that Mr. Dupernex has written, though I expect good results from his apostleship. But I am afraid all co-operative work in India must find itself seriously hindered while the law with regard to co-operative societies remains what it is. Mr. Dupernex is constrained to form his banks under the Companies Act, which is quite unsuited to the institution, and which in this country, quite apart from the question of expense, no one would think of invoking.

The same thing is reported to me, in my capacity of Chairman of the International Co-operative Alliance, by Ambika Charan Ukil, who has formed four modest little co-operative societies at Calcutta.*

Since your Lordship has kindly promised to befriend the movement, may I hope that you will kindly, as a first step, which would not commit the India Office to anything, take into consideration the advisableness of introducing into India ordinances like our Industrial and Provident Societies Act and our Friendly Societies Act or something similar.

The Friendly Societies Act is not really a very convenient Act, for it was designed for a totally different purpose. But we have to take refuge under it because, for the Agricultural banks, which are doing such good work in Ireland, we *must* have unlimited liability, which the Industrial and Provident Societies Act, otherwise a much better Act and absolutely sufficient for banks adopting limited liability, does not permit. Since the passing of Mr. Plunkett's supplementary little Act† of two years ago the Friendly Societies Act serves its purpose fairly well.

But in India neither of these Acts is in force. If your Lordship

* I am sorry to have to say that since this letter was written I have seen reason to change my opinion about Mr. Ambika Charan Ukil as an apostle of genuine Co-operation.

† The "Societies Borrowing Powers Act" of 1898.

would kindly allow me to talk over the matter with some gentleman at the India Office who has charge of these matters, I have no doubt that I could bring him to see the advisableness of giving to India the benefit of legislation which has contributed immensely to the raising of the condition of the labouring classes in this country and which is free from any objection. For nobody asks for money from the Government, or desires to pledge it to further concessions. All that is asked is, that the Government should place the poor people in India in a position to help themselves.

I beg to commend the matter very warmly to your Lordship's attention, and

Remain, etc.,

HENRY W. WOLFF.

THE SECRETARY OF STATE FOR INDIA.

This letter was duly acknowledged, and attention was promised to its contents. Next Mr. Nicholson's Draft Proposition for a Bill to be passed, now sent to me by Sir Charles Bernard for my opinion, which I gave, accompanied by the following letter.

Meanwhile Mr. Nicholson's Report had come out and on the ground of what he had seen and learnt that deserving officer drafted a Bill, which was of course sent up to the India Office at Whitehall—the Government of Madras having decided that the matter was not one of urgency.* I have not the India Office's comments upon that draft in my possession. They were privately communicated to me along with the draft, for perusal and advice. However, my reply will show that those comments were not altogether favourable. Here is my letter, as returned, in a printed form, by the India Office :

DEAR SIR,

July 3rd, 1900.

I have to thank you for your kind letter of 29th ultimo, and the two volumes of Nicholson's Report as well as a copy of the Madras Government Order.

The last named I beg to return herewith.

I have had to deal with the matter rather hurriedly, mainly on account of my imminent departure for Paris, and the organisation of one of the Congresses to be held there being thrown almost exclusively on me.

I cannot too warmly recommend you to take the opinion of Mr. Brabrook, Chief Registrar of Friendly Societies. To deal with the matter under an Amended Companies Act would, I am sure, be a tremendous mistake. We want a Co-operative Act.

* See "Government Gazette, the United Provinces of Agra and Oudh" of May 14th, 1904.

I enclose a reference to Acts in force in this kingdom.

Of course, if I can be of any service in the matter, I shall be only too glad to be so.

Believe me, etc.,

HENRY W. WOLFF.

SIR CHARLES E. BERNARD, K.C.S.I.

MEMORANDUM BY MR. HENRY WOLFF ON MR. NICHOLSON'S REPORT
AND THE MADRAS GOVERNMENT ORDERS REGARDING AGRICULTURAL BANKS.

Perhaps I may be permitted to say a few words with regard to the Board's Report and the Governor's ruling, with a view to clearing away a few misconceptions. It is quite true that Mr. Nicholson does not in his book give a clear "light and leading" on all points. More especially does he appear to contradict himself with respect to State aid, which is a very difficult subject. There are two sides to the question, and as the one or the other presents itself most prominently it is perfectly natural that, like other persons and bodies having greater familiarity with the general question, he should incline one way or the other.

However, the main ground for the Board's adverse judgment evidently is, that it does not quite accurately appreciate the object of the institution for which Mr. Nicholson pleads, and misjudges it upon the ground of what may be proved to be altogether illusory facts. I will point out two which are put forward very prominently on page 52, paragraphs 20 and 21. The mortgage debt in Germany, of which the Board makes so much, proves nothing at all against the Banks. In the first place I have the best official authority (I will only quote here Dr. Buchenberger, Minister of Finance in the Grand Duchy of Baden, the best authority on the subject; but there are others) for saying that the amount of that debt is greatly exaggerated in the official statistics for these two reasons, (1) the debt applies in fact to buildings, which on small properties (those in question) represent often the major part of the property, though they do not do so ostensibly, therefore the pledge value of the mortgaged estates is greater than represented; (2) many of the mortgages are as a matter of fact paid off, though, to save expense and facilitate fresh borrowing, if necessary, they are ostensibly only transferred to the mortgagor. In the second, generally speaking, that mortgage debt does not at all refer to the small proprietors who compose the credit societies. The two classes are practically two distinct communities. The co-operative banks do not profess to grant mortgage credit, and as a fact grant only very little. The two kinds of credit ought not to have been mixed up. And it is a pity that Mr. Nicholson did mix them up, and so in a measure led the Board to jump to a false conclusion.

The second very serious error is to be found in the Acting Settlement Commissioner's footnote on the same page. So far it is in-

COMING OF CO-OPERATIVE CREDIT

correct to say that France has no Raiffeisen banks; that as a matter of fact, in no country have Raiffeisen banks multiplied so fast and done so well as in France, of all countries.* The work of starting them was practically begun in 1894; and now there are between 500 and 600, working well, to say nothing of the hundreds of similar banks formed by the agricultural syndicates. There would be at least 200 more (the 783rd was registered last week) had not the French Parliament unwisely changed the law a couple of years ago. The condition—of an unmarried priesthood, etc.—which the Commissioner is good enough to insist on as being adverse to co-operative credit in France, exists in the very same degree in the larger portion of Germany where Raiffeisen credit has struck root, which is Roman Catholic and wine drinking, and has even invented and brought to something like perfection those co-operative winepresses which, in many cases, exactly double the profits which cultivators draw from their grapes, and which France (which, by the way, is rapidly becoming, not wine, but spirit drinking, as witness a report recently made to the Société des Agriculteurs de France by M. Urbain Guérin) as yet has not.

The object of co-operative banking is *not at all* to foster what the Board will call “licentious” borrowing or “facile” credit. It is, to create and make available a new security. So far from making credit to poor cultivators or labourers “facile” or easy, as I have pointed out in my various writings, it makes “possible” only by making it “difficult.” It does not ask the man to come and borrow. It distinctly tells him: You will have no money unless you can fully satisfy us as to having a good case. The presumption is *against* lending.

Also, the object of co-operative banks is by no means merely to place fair credit in the place of unfair. It is to *create working capital*, without which the most fertile land, situated near the best markets, is worth very little. Among the thousands of co-operative dairies which in Germany enable small and large cultivators to turn their milk to the best account, there are many hundreds which were set up without capital, merely with the help of the co-operative bank, whose claims have been gradually paid off at the rate of so much per gallon used. There are steam thrashing machines which have never cost their owners, a society, anything, inasmuch as the bank had advanced the money and had been repaid out of the hire.

The Presidency of Madras may be in an exceptionally happy position. But, as I have never found an Anglo-Indian to whom I could manage to explain the system to say otherwise than that co-operative credit would be an unspeakable boon to all India, so it was the late Sir Arthur Cotton, a Madras man, who, more in particular,

* The situation in France has very materially changed since then, owing to the Government's persecution of the late Louis Durand, the “Raiffeisen of France,” on account of his ultramontane opinions, and the hothouse forcing of the State-endowed and vote-catching *Crédit Agricole* with large State funds.

showed himself delighted with it, and told me, "Whatever results you look for multiply them tenfold, and you will still find them exceeded." No argument could be drawn from the poverty of the people. We find that, generally, the poorer the people the more readily do they grasp the principles of co-operative banking, and the more readily do co-operative banks thrive amongst them. That is why they succeed so well in Ireland, more particularly in the congested districts. The fact that in Madras Presidency the Sowcar question does not arise, but ryot lends to ryot, is only on a par with what has happened in those parts of Venetia and Lombardy, where Raiffeisen banks have proved particularly acceptable and successful.

The Board probably misunderstood what Mr. Nicholson says with regard to "finding Raiffeisen." Raiffeisen is *found*. What you want to find is (1) the conditions under which he can be put to work, that is, suitable legislation; (2) a number of *local* Raiffeisens, men willing to show their sense of the duty which they owe to their neighbours by working a little for them, less giving than *working*.

The Board's objection (Clause 22) that peasants are "inclined to borrow for every purpose except land improvements," is met by the fact that for nearly every purpose except land improvements the co-operative bank will be debarred from lending to them. The German character, moreover, is *not* "homogeneous."

The fraud and mismanagement practised (p. 154, Cl. 26 in) in the *nidhis* are no more an argument against banks than similar abuses in our loan societies are. Quite the reverse, they show that new conditions are required, which preclude fraud and mismanagement. Co-operative management furnishes them. It does preclude fraud and mismanagement. Our Irish Raiffeisen banks have "never made a bad debt." And it cannot be shown that "catastrophes have attended on like schemes in other countries." No such catastrophes have, in point of fact, occurred in connection with co-operative banks.

In the Governor's opinion, I have only the statement occurring in Clause 20, p. 162, to complain of, which is founded upon an unproven assumption. I have not found that Raiffeisen banks suffer seriously from unpunctuality in repayment, neither have I ever heard of this. And if Mr. Nicholson has committed himself to such a statement, he has been misinformed.

Coming to Mr. Nicholson's draft, it altogether staggers a European by its ambition. Here are a Companies Bill (for Joint Stock Banks), a Savings Banks Bill, a Land Improvement Bill, a Co-operative Bill, and one or two other things, all rolled into one. In this country we should want about five or six Bills for all this, and five or six sessions for their consideration.

I cannot quite see why Joint Stock Banks should have been dragged in. They have the Companies Act already, and it can scarcely be argued that Joint Stock Companies, which exist to earn for a small number of persons a profit out of their dealing with others, require "privileges" or exemptions.

Savings Banks appear as much out of place in a proposal for providing *credit*. There is more to be said against the draft under this head on other grounds. However, the best prospect of drawing what in Ireland goes by the name of "stocking money" out of its hiding places, and of making it useful and fructifying, is not to provide new burying places for it, as a savings bank would do, but an active use, tempting to the depositor, who may want credit. That it is which has made the Schulze Delitzsch banks so magnificently successful in Germany. The use of the money by credit serves as a bait to make depositing popular.

Land improvement credit, *Landschaften*, and the like, likewise have no legitimate place here.

And, since Building Societies in Great Britain and in the United States are referred to, I want to point out that there is an essential difference between the two local specialities.*

The Governor has very rightly, as I think, up to a certain point, decided to confine his attention to co-operative banks. It is a pity that he does not say "co-operative societies," for there is very much more besides convenient banking that co-operation could be made to bring about. And, as in the United Kingdom, in Germany, and elsewhere, one law, if India only had it, would suffice for all.

But what staggers a mere European quite as much as the comprehensiveness of Mr. Nicholson's proposal is his suggestion that the matter should be settled by an amendment of the *Companies Act*. In this country nobody would think of such a thing. The Companies Act, quite apart from the intolerable expense which it involves, is very unsuitable, indeed directly adverse to co-operation. It means that a small number of persons should have as full as possible power of dealing with the money and interests of a much larger number; that things should be done *oligarchically*, with as little publicity as possible, nothing being let out in balance sheet or general meeting, except what the directors consider indispensable. And it emphasises "profit." Co-operation cannot succeed except the circumstances be exactly reversed. There must be a maximum of democratic government to excite interest and vigilance, of publicity, of control and supervision, and it ought to be writ large upon its rules and practices that *not profit but a common service* is the object of the society, profit being kept out altogether. Under this point of view Mr. Nicholson's proposal that "profit should be divided according to the shares" is an exceedingly bad one, which no co-operator in this country would dare so much as to name. That is the joint-stock principle. The co-operative principle is that, since it is, not shares, but custom which makes the profit, it is to custom that the profit belongs in what French people call the *ristourne*, i.e., the return of what was paid in excess. We must not promise the ryots bread and give them a stone.

* It was so at the time. Since then American "Loan and Building Societies" have very much assimilated themselves to British.

One cannot help wondering that no notice whatever should have been taken of the Industrial and Provident Societies Act of the United Kingdom, as well as of the Friendly Societies Act, both of which have worked so well that instead of co-operative societies seeking refuge under the Companies Act, as is proposed in India, we have profit-seeking companies actually seeking the advantages of cheapness under the Provident Acts named.

Mr. Nicholson refers to the English Loan Societies Act of 1840 and the Irish Loan Fund Societies Act of 1843 as being desirable models, more particularly on the score of the facilities which their provisions provide for the recovery of debts by order of a magistrate. I confess that when I first took in hand the framing of Rules (in 1893)—I beg to enclose a copy each of "A People's Bank Manual" (under the Industrial and Provident Societies Act) and of "Village Banks" (under the Friendly Societies Act)—I felt attracted by the Act of 1840 on the same ground. However, I found that there was no more unpopular Act in the kingdom, and that all the facilities given in it for the recovery of debts are made illusory by the fact that magistrates *will not make an order* under it. The statistics quoted by the Registrar of Friendly Societies, for the litigation which has to be engaged in to recover debts, support this. No returns have been presented to Parliament for a long time, because nobody seems to take an interest in an Act which is thought to be unsuited to the conditions of the present time, and which leads to abuses very similar to those which the Board complains of as attaching to the work of the *nidhis*, mainly because there is no democratic management and no publicity. Things are done in secret, and the secretary's main object is to assure to himself a good "screw." In 1890 there were no fewer than 3,052 summonses issued in respect of something over 300 societies, which means, as the Chief Registrar put it, "one summons to every £4 profit earned." The Irish Act of 1843 is as bad. It has led to great loss owing to difficulties of compliance with the rules laid down. The promissory notes given could not be enforced, and debenture holders have accordingly lost their money. The Act is now being amended by Parliament. But the Loan Funds cannot, as the Committee of the Irish Agricultural Organisation Society has reported, compete with the new Raiffeisen Banks.

The truth is that all these supposed aids to co-operative banking, by magisterial interference, etc., are really serious hindrances. That has been found to be the case not only here, under the Loan Societies Acts, but just the same under the various "privileges" for the recovery of debt granted abroad, with the special view of facilitating "agricultural credit," to which Mr. Nicholson so longingly adverts, more particularly under the various laws granting such privileges in Italy, of which I speak in my book "People's Banks." In the words of Cav. V. Sani, Director of the People's Bank of Bologna, the Bank which practises most "agricultural credit," these privileges are useless although they are made very cheap. The object of a co-operative

bank is to excite among the managers so much vigilance, caution and strictness as will ensure that no money is lent out except what will be repaid, by reason not of special laws but of ordinary precautions, and to train the borrowers, *in their own interest*, which is brought home to them, to fixed habits of businesslike conduct and honesty, which are ten times more effective than punitive ordinances. It is the borrower's brother member who must make him repay, not the magistrate or the law court. Only co-operation can bring this about. The bank ought to rely upon its own good management and a careful selection of members, not on magisterial compulsion, which makes such management and selection appear less indispensable and leads people to make light of them. That is the reason why in Raiffeisen Banks, which let in the poorest class of members, relying only upon their "guarantee," not on shares, unlimited liability, applying to all, is indispensable. It *makes people careful and vigilant*. The more you take away the necessity for this by adventitious aids, the more you weaken the indispensable foundation, the great supporting pillar of co-operative credit.

There is really no better Act to point to as a model than our Industrial and Provident Societies Act for Share Societies with limited liability. And since the Short Borrowing Powers (Societies) Act, brought in by Mr. H. C. Plunkett, was passed in 1898 the Friendly Societies Act will really serve fairly well for societies with unlimited liability (Raiffeisen Banks). Like Mr. Nicholson, I have previously contended that the Industrial and Provident Societies Act ought to give power to withdraw shares. But I think now that it will do very well as it is. If we make shares withdrawable the same danger will arise which the Board rightly allude to under the head of Government advances, and which the great Swiss Co-operative Bank "*Schweizerische Volksbank*" rightly guards against by making it a rule that, if a certain proportion of shares should come to be withdrawn, a general meeting is to be at once called to decide if the bank is to go on.

Since it would be a thousand pities to throw away the present favourable opportunity, I cannot too warmly entreat the India Office, before proceeding to legislation, to study the two Acts referred to and to take the opinion of the Chief Registrar of Friendly Societies.

I have asked the General Secretary of the Co-operative Union at Manchester to forward to Sir Charles Bernard a copy of their handbook on the Industrial and Provident Societies Act, which will serve as a useful guide. Doubtless there is some official publication in which the various Friendly Societies Acts are similarly put together under one cover.

For a Friendly Societies Law there ought to be ample room in India on other grounds. An Industrial and Provident Societies Act would at the same time help our friend Ambika Charan Ukil at Calcutta and those others who, please God, will soon follow his example

In this way another important point in the problem would be disposed of.

The Board as well as Mr. Nicholson want to make the supervision of the co-operative banks to be created a matter for the *agricultural authorities*. That seems to me a thoroughly bad principle. The object of the supervision provided for, which cannot be too strict and searching—for which reason once more a co-operative law is preferable by much to a Companies Act—is to keep things businesslike and straight. That is not an agricultural function. The proper authority to do that is a body like our “Registrar of Friendly Societies” (a composite person), which has to think of nothing but good audit and strict control and need not trouble about class or professional interests. Wherever the “agricultural authorities” mix themselves up in the business, so I have found alike in Germany and in France—and Comm. Ferraris’ recent (rejected) proposal in respect of Italy only presses the lesson further home—they come to think that they are there to *benefit agriculturists*, though it be at the cost of others. They think of agriculture and its interests rather than of observances of rules and strict audit, and wink at gifts taken by their supposed protégés. And the Italian Director of Agriculture to whom the Board admiringly refer, at that time Comm. Miraglia, since promoted,* so I found at Rome, though a charming man and kindness itself to me, knew very little about agricultural co-operative credit, and actually misinformed me.

What it strikes me that you want in India is an equivalent to our Registrar.

Running rapidly through Mr. Nicholson’s draft, it strikes me that in Cap. I., 2, line 3, some word such as “and administration” ought to be added after “collection.” After a time there will be substantial revenues, which will want to be *administered*, not *collected*.

Lower down I want to point out that the limitation of liability to a fixed amount beyond the paid-up share capital has not been found to work well in practice. It is odd that alike in this country and in India, people, evidently anxious to avoid unlimited liability, should so readily hit upon this supposed *via media*, which, as a matter of fact, gives the bank *no asset on which a lender would lend anything*, while undoing all the good in enforcing watchfulness and care *which absolutely unlimited liability ensures*. Experience has shown the proposal to be a bad one.

In Chap. I. (5) the tail end of this paragraph (5) is utterly bad. If you want to supply goods, etc., you must form a separate society, though it be composed of the same members. You must, as experience has shown, above all things avoid mixing up credit and supply. The list of “objects” higher up will accordingly have to be revised. But really all this apparatus of specifications and particulars (see paragraph 7) is quite unnecessary. The very successful “People’s Bank of

* To the Presidency of the *Banco di Napoli*, a State institution.

Edinburgh " errs on the opposite side. It lays down too little. But it has worked thoroughly well. That is a clear argument in favour of a co-operative as compared with a companies law. In a co-operative society the vigilance of the members and the absence of occasion for improper profit serves the purpose of these peddling Company Regulations.

Chapter II. I do not feel called upon to criticise. In Chapter III., Clause 73, larger powers might be taken in accordance with what is permitted in our Industrial and Provident Societies Act.

In Clause 74 the partial limitation of liability is not likely to work well, as already shown.

Clauses 75 and 76 appear to presuppose that co-operative banks are to be formed exclusively on the basis of share capital, whereas the banks more particularly pleaded for and likely to be useful (apparently) are the Raiffeisen Banks, which *require no shares*.

I have already spoken about the danger involved in withdrawable shares without further safeguards.

Clause 77, allowing more than one vote to a man, is unco-operative and not likely to work well.

Clause 85. The objections of the Board to " privileges," *i.e.*, mainly exemptions, are conclusively met by the arguments used in Parliament when our own Acts were under discussion. The matter has, indeed, been thoroughly threshed out, and the success of our legislation, giving privileges but nothing else, as compared with the legislation of other countries, is conclusive corroboration. Mr. Gladstone at the time argued that it was legitimate and wise to stimulate provident and co-operative action by remission of taxes, such as stamps, but that it would be both illegitimate and unwise for the State to give encouragement in the shape of money. This is in keeping with the Governor's argument. Our British scale, which gives most things free, might be followed, except that Raiffeisen banks, being under our law " specially authorised societies " and liable to a registration fee of £1, ought to go free. On the other hand certain services, such as settlements of disputes, ought to be charged for, as they are here.

I am opposed to privileges of distraint, of priority of claims, etc., because they do not work well, and hinder co-operative action. I do not see why letters should pass free, except it be to and from the Chief Registrar. But the use of some official room for the purposes of the society might be useful. In Italy the local authority frequently lends the village hall (*municipio*), and sometimes the priest the church.

But all these exemptions must be supplemented, not balanced, by strict supervision. You cannot be too stringent so long as you do not actually interfere in the management. There is no better service that can be rendered to a co-operative bank than strict inquiry and supervision, *coupled with publicity*. That is the object of the Supervising Council, which Mr. Nicholson, in his " Village Bank Rules," fixes at too

low a number. He puts the Directors (Committee of Management) at nine, which is too much for a small place, and the Supervising Council at only three. The usual figure in the Raiffeisen Banks is five and nine, and very rightly. You do not want a large committee. For its office is to act and not to rely upon others. The office of the Council is to inspect, and to be strict. You can "get at" two or three, this is what the Auditor of one of our Civil Service Credit Societies told me, approving the larger number, "You cannot get round six or nine." The Council ought to be larger.

At the same time I must warn the India Office that in the first period supervision by the Council is likely to prove a delusion. It has proved so in Ireland, and the Irish Agricultural Organisation Society have unwisely, and against my protest, struck it *for the time* from the rules, substituting an inspector of their own sent out by the central authority. That inspector ought to be at work as well. That is one of the main services which a central society is intended for. And if it does not exist, or does not provide for periodical inspection by its auditors, the Government ought to appoint its own inspectors or auditors. The German Government is very strict in this respect, and does so. But, while these *consules videntes ne respublica*, etc., are at work under exceptional circumstances, the local council ought to be trained to its work; nominally the inspection should be the councils, with the inspector acting as assessor only.

The whole chapter would be better if the Bill adopted were made to resemble our two Acts quoted.

While upon this subject I ought to explain that Mr. Nicholson goes too far in the preference which he gives to Raiffeisen Banks over Luzzatti or Schulze Delitzsch Banks. The latter may be made economically and even educationally quite as useful as the Raiffeisens. And they suit some localities better. The Raiffeisen Banks, of course, may have shares. Only, the shares should be small.

The provisions about giving the preference to small business and allowing a larger interest on small deposits must be, in their application, absolutely dependent upon circumstances. A bank will have to bid for its money. Small deposits may mean a loss, as in Savings Banks. The Bank must cut its coat according to its cloth. However, if it is to be co-operative, it is absolutely essential that the *rate of interest on shares should be limited*. Non-limitation has led to grave abuses. Mr. Nicholson appears to make no provision for this.

The crucial difficulty, of course, must always be the provision of the first funds.

Raiffeisen begged his first funds and Schulze Delitzsch scraped them together in the same way. Schulze Delitzsch's idea was, that a share capital plus unlimited liability should attract deposit money at a time when in Germany Savings Banks were few. Raiffeisen's idea was, that some better-to-do people should join with the poor, and give them the benefit of, for a time, their deposits, always their credit and their knowledge of business, to put and keep the Bank upon its

legs. In England, before, under the Act of 1898, Raiffeisen Banks became entitled to borrow, *i.e.*, to take deposits beyond the two-thirds limit, I recommended, as I still do, a guarantee at a Commercial Bank, in other words a drawing credit.

In India, though I do not know, it seems that there is little chance of such help being forthcoming. Mr. Nicholson recommends "Founder's shares," which in this country their very name would condemn. I disapprove of them on other grounds. We have got them in French Agricultural Syndicates and they create two classes where there should be only one, and an oligarchal Government, which is pernicious in this application. They are accordingly being gradually got rid of. Apart from this, the man who will be ready to take founder's shares will be quite as willing to give a guarantee or place a deposit.

Mr. Nicholson also recommends debentures. Sir W. Wedderburn is likewise enamoured of debentures. But what are you to give debentures upon? You have no pledgeable property. Liability is no proper security. I have already shown that under the Act of 1843 debenture holders in Ireland have lost their money. The mere chance of this is sure to prejudice a bank. And the less of pledge credit you introduce into this banking practice, the better will it be. The Raiffeisen societies do take mortgage security to a limited extent. But only as collateral security. Personal security is the rule. So it is, according to the books, in the Schulze Delitzsch Banks. One of these once lent money on a mill, which was bodily carried away by the flood. And some Italian banks have suffered severely, a big one now ruined some years ago, by practising mortgage credit. The value of the land was depreciated. The money was locked up. Other pledges are very unpopular. Our English bills of sale spoil the borrower's position.

As regards State subventions I fully share the Governor's abhorrence of them. And what he urges in Clause 23 (p. 163) is absolutely correct.

What is now going on in France and Germany does not disprove this. Governments have had large sums voted in support of agricultural credit, which leads to the creation of many bogus banks after the manner of what the Board state as happening in Mysore (Clause 22, pages 1 to 3) but on a larger scale.*

However, money must be found in some way, and so long as the danger of the loan being turned into a gift can be guarded against, I do not see the harm of an advance. I have elsewhere compared this to the pail or two of water which we used to have to pour into a new pump of the old type, *not to provide the water to be drawn up, but only to get the sucker to work.*

* German and French spoon-feeding by the State had a distinctly political object, namely, to catch votes—in Germany for the "Kaiser," in France for the "Republic" as opposed to supposed Royalists and Clericals.

We have had to accept some State aid in Ireland (£2,000), and, though it is too soon to speak positively, it does not appear to have worked any mischief. But it is true the Irish village banks are exceedingly well officered.*

This is what has happened elsewhere:

By far the best plan is, however, that the money should be found by private persons. Once a sufficient number of banks have been formed to justify the creation of a central bank, the difficulty about first funds will disappear. For such a bank will be in a position to make advances to new local banks and keep them sufficiently in hand to avoid danger.

Since writing the foregoing I have looked over my pamphlet "Village Banks," which I hope very soon to issue in an amended shape. The difficulty about raising the first funds referred to in pages 7 to 9 has been got over by the passing of the Act 61 and 62 Vict. cap. 15. Any bank taking power to do so may now borrow what it likes under certain conditions. An Act passed for India would presumably confer this power from the outset under similar safeguards. Still, the method of securing the command of the first funds by a guaranteed drawing credit represents out and out the best means for securing the command of money. Interest will have to be paid only on the sums actually drawn out on the strength of the guarantee and the members of the Bank will be more continually and more forcibly reminded of the fact that they are dealing with borrowed money, which will have to be accounted for and repaid within a stated time.

I ought to state that it is quite possible that village banks may, during the first year or two, find themselves making a loss and not a profit. That frequently happens. The bank should not be necessarily closed on that account.

I have seen the Chief Registrar about the matter of a convenient Act. He thinks there will be no difficulty about drafting an Industrial and Provident Societies Act which will allow unlimited liability banks to be formed under it as well as limited liability.

Sir Charles Bernard acknowledged receipt in the following terms :

INDIA OFFICE,
WHITEHALL, S.W.
July 13th, 1900.

DEAR MR. WOLFF,

Thank you for your Memorandum. It will be laid before the Secretary of State and be considered with due attention.

* That State aid was subsequently arbitrarily withdrawn, to the no small embarrassment of the erst-assisted societies. That should serve as an *exemplum utile*.

You are right. Mr. Nicholson's scheme is too large. We will confine ourselves to Co-operative Credit.

Your argument against State aid appears conclusive.

Believe me,

Yours faithfully,

CHARLES BERNARD.

HENRY W. WOLFF, Esq.

It will be seen that to a slight extent we were at cross-purposes, and a little misunderstanding of my meaning—which was subsequently partially corrected by Sir James Wilson's judicious interference as one of the Committee adjudicating upon the draft—nearly led to the exclusion from the scope of the Bill of co-operative societies other than for purposes of credit, the desirableness of the formation of which I had nevertheless pointed out in my Memorandum. I was then not thinking of distributive societies, for which I held that there would for the moment be little call in India, but of co-operative supply, productive and common labour societies for the promotion of Agriculture which it is now very rightly sought to multiply. However, it might have been considered out of place for me to urge the India Office further. And at that stage to secure a good measure providing for the formation of credit societies—the great need of the hour—appeared again sufficient in itself, which it would be well to secure without asking for more. The credit societies once being formed, so I judged—and evidently judged rightly—Co-operation of other forms would follow as a matter of course.

The next step taken was, after consideration of the matter by the local Governments, the appointment of a strong Committee under the chairmanship of Sir Edward Law, to decide on further action. That Committee met at Simla in 1901. Hearing of its impending meeting I thought it might be of service if I sent a copy of my "People's Banks" (of which in the meantime the second edition had appeared) and some other publications bearing upon the subject of Co-operative Credit to the India Office for the use of the said Committee. It was not altogether an agreeable surprise, however complimentary to myself, to learn some time after, in reply to my inquiry, that those publications had proved of so great interest to the gentlemen at Whitehall that, instead of forwarding them to Simla, they had kept them in

London to read for themselves. That gave Mr. Dupernex's, to my mind objectionable, proposal—offered, of course, in thorough conviction of its being good—of imitating the example of Mentone, by starting urban banks with off-shoot rural societies around them dependent upon their financing, an undesirable advantage. Mr. Dupernex was—quite unintentionally, of course—altogether wrong in stating that that form of organisation was common in Italy. No doubt he had been told so at Mentone. But it was altogether at variance with facts. As a matter of fact “urban” and “rural” banks—so to call them for the nonce—were in Italy at that time leading a life of cat and dog, and would not look at one another. M. Luzzatti had even given instructions that at Padua I was not to be left alone with Dr. Wollemborg. It was only at our International Congress at Cremona, in 1907, that an understanding was effected, which has ripened into a true heart union, and brought about common action, but not in the way suggested by Mr. Dupernex. How little that system of grouping rural societies round an urban bank and making them dependent upon it deserves commendation has been subsequently shown by the experiences of the numerous little banks formed under Mr. Dupernex's guidance around Banda. On the other hand, Mr. Dupernex was perfectly right in advocating his “Organisation Societies”—that is, minus their proposed financing action—societies to be composed of philanthropists providing the first funds—only not to anything like the lordly extent recommended by Mr. Dupernex—for new bantling societies, and training the members of such for their work. The Committee without good reason that one can see objected to this.

In due course I received the following from the India Office :

INDIA OFFICE,
February 6th, 1901.

SIR,

I am directed by the Secretary of State for India to thank you for the books and papers* marginally noted, and especially for the

* Letter of June 26th, 1900, with copy of Mr. H. Dupernex's book on “People's Banks in Northern India.”

Letter of July 3rd, with a Memorandum on Mr. Nicholson's scheme and the Madras Government Orders regarding agricultural banks. Also copies of your—

Memorandum you have drawn up regarding proposals for establishing village agricultural banks in India.

The important subject of these papers has for some time been under the consideration of the Government of India. Famine relief operations and other important business have caused action to be temporarily postponed. But the subject has recently been again taken up. A copy of your Memorandum and of the letters and book cited above will be forwarded by Lord George Hamilton to the Government of India, who will be glad to have the advantage of your extensive knowledge of the principles and practice of co-operative village banking.

I am, etc.,
A. GODLEY.

HENRY W. WOLFF, ESQ.

The Simla Committee having reported, a Bill was drawn up, of which I was once more allowed the privilege of seeing the draft, with an invitation given me to express my opinion upon it. There seems no reason for quoting my fresh Memorandum, handed in in December, 1903, at length—it is rather long—but I may be permitted to extract certain passages in order to make my position in the matter quite clear. The letter is once more addressed to Sir Charles Bernard. Such passages are as follows :

“The Co-operative Credit Societies Bill, upon which you have been kind enough to ask my opinion, invites criticism on more points than one. To be frank, I agree very much more with the sound principles generally laid down in the Council’s despatch, the import of which was reflected in Sir D. Ibbetson’s speech introducing the Bill, than with the Bill itself. Since I know nothing whatever about India, I presume to speak of the Bill only so far as the principles of Co-operative Banking come into account. . . . No doubt the original scheme was much too large. However, I beg leave to express regret at the fact that it has not proved possible to deal with Co-operation generally. There are already some beginnings of distributive Co-opera-

“Village Banks, with Model Rules, etc.,” 1898.

“People’s Bank Manual.”

“Co-operative Credit Banking,” 1898.

“Co-operative Credit Banks,” 1898.

“The Industrial and Provident Societies Act, 1893,” with explanations and forms.

tion in Calcutta. . . . As the credit societies develop, the want of agricultural supply societies and, maybe, of distributive societies and agricultural productive societies, is sure to make itself felt. Such societies evidently ought to be encouraged. And probably all these things might—as is, with one exception, done in this country—be provided for by one Act. . . . I also regret the distinction made between ‘urban’ and ‘rural’ societies. The names are not happily chosen and may lead to the introduction of hindering elements. . . . The dividing principle is not that of town and country. It is that of a confined, self-contained district, in which alone unlimited liability is practicable, and, on the other hand, any district, urban or rural, in which you may choose to apply limited liability. . . . In any case it is a principle of co-operative banking that the more you can mix different classes, having different wants, and wants in different seasons of the year, in one society, the stronger, *cæteris paribus*, will that society be. It is quite right that unlimited liability societies should be kept out of towns. . . . But it seems questionable to keep limited liability banks out of the country.

“It seems even more questionable to limit membership to one calling. There are probably artisans as well as agriculturists living in Indian villages. And why should such be shut out? The Council appears to desire to keep the societies puny. In that case there will be puny results—maybe disappointment. The more members you have, the stronger will your bank be. Besides, it goes right against Raiffeisen principles to keep out the wealthier residents in the country. You want them to nurse the bank into strength, to say nothing of the educating influence in respect of business, and generally, more especially moral, which I presume that you want the bank to exercise. The more you limit membership to small and poor folk, the more, and the longer will you, moreover, have to assist the society with State aid, which I am glad to see that the Council wish to do as little as possible. Prolonged and indiscriminating State aid is destructive of self help. I fully endorse all that the Council says about State advances. The State aid given in Germany, France and Austria has been productive of much mischief—the creation of a great deal of bogus Co-operation,

which has resulted in loss and done no good to the people.

"The clause in the Bill 2 (g) also tempts to a word or two on the official interference proposed, which may be necessary in India—all the worse for Co-operation—but which has been meted out with no stinting hand. The Registrar is to say who is to be eligible. The Registrar is, I suppose, also to turn out undesirable members. That shifts the responsibility, which properly belongs to the society, on the Registrar. Raiffeisen adopted unlimited liability in order that societies should stand on no etiquette with candidates, consider well whether such were eligible, and unsparingly supervise them. Once the Registrar is responsible, instead of members, such motive and object is gone. In truth all this Government supervision imposes upon India that tutelage which in respect of our Friendly Societies, ministering to the very helpless and uninstructed class, Parliament has again and again refused to sanction, because it must destroy the peculiar utility of the institution. The 'group of contiguous villages' is altogether good. Clause 7 speaks of a rural society borrowing, subject to the sanction of the Registrar—once more a case of interference. . . . In truth there is little fear of the power of borrowing—in a narrower sense, in which evidently the word is here applied—being abused. The difficulty threatens to be not that money will be recklessly borrowed, but that none will be got. And then, how about deposits? It is evident from what follows after that there are to be deposits. They are of the essence of the bank. And the Council has done absolutely right in not exempting them from liability to attachment. In the unlimited liability societies you must have deposits, or you can do no business whatever. Even in the limited you require them, unless your society is to degenerate into a mere Slate club. Its object is to use its credit. But nothing is said about deposits.

"I should say that a clause is required defining the objects of the society as we have one in our Act. Clause 6 (3) wisely lays it down that there is to be a reserve fund. But it seems to tie it up. With due submission it seems to me desirable to state (what is of course understood) that, though not available for dividend, it is so for losses on the annual

business. I should rather have put 'surplus' in the place of the first 'profit,' and 'interest' in the place of the second. The less 'profit' is suggested the better. Clause 8 (2) is excellent and must not be let go. Clause 8 (3) may prove inconvenient and the 'at any time' may want qualifying 'after the debt has become due.' 'Agricultural produce' is a very inconvenient security to hold, and may prove costly. . . . Clause 22 only calls for this suggestion. The society must be made to know whether the members hold *takavi* loans or not. The existence of such a loan reduces its own security. It ought also to be laid down that a person may be a member of *one* society only. The society judges of his 'value' according to what it knows and can see. To allow an unseen liability behind would be to deceive the other members. It is a common rule.

"I apologize for going so much into detail, but having been asked I give my frank opinion, and remain, etc."

As a sequel to all this correspondence and palavering Act x. 1904 was passed. In pronouncing his sanction of it the Viceroy, Lord Curzon, paid me the compliment of specifically referring to the advice given by me as the Government's justification for not allowing a larger amount of State aid. His words were these: "There is one point upon which there seems to have been some misconception, and which it is desirable to make clear. I have seen it complained, and at an earlier date I have heard the complaint from the lips of an Honourable Member of the Council, that Government might have been a good deal more liberal in initiating so great an experiment, and that part of what we take from the people in land revenues we might very appropriately give back in capital for these societies. These views, plausible as they may seem, rest upon a complete misconception, both of the Co-operative System and of the policy of the Government with regard to this peculiar scheme; and I desire to supplement what fell from the Finance Minister on this point. It is not primarily because the financial contributions that might have been required to assist any new institution would be great, or because we grudge the money, that so little is said about grants-in-aid by the State, but because the best advice and the teaching of

experience are at one in the conclusion that unrestricted Government assistance is dangerous, and may be a fatal gift. 'Prolonged and indiscriminate State aid,' says Mr. Henry Wolff, who is an unrivalled authority on the matter, 'is destructive of self-help. . . .' For similar reasons no special powers of recovery of debt have been given to the societies. The object is to foster a spirit of responsibility and self-reliance; and it is because the societies must be dependent for their success on their own care and caution in the disbursement of their funds that it has been possible to dispense with restriction on their powers in the Bill that would otherwise have been necessary. Government aid will be forthcoming when necessary, and there is more danger to be apprehended from excessive liberality than from the withholding of assistance where there is a prospect of its proving advantageous."

To have carried that point was under the circumstances certainly something to be thankful for. For there was at the time a great clamour for State action and financial State help. Mr. Dupernex's proposal providing for a right royal endowment for widespread spoonfeeding was still before the Council. And Sir Frederick Nicholson, having shortly before paid a visit to Egypt and seen the Agricultural Bank of Egypt at work there, had turned completely round upon himself, and, having concluded his masterly Report of some years before with an earnest admonition: "Find Raiffeisen," had, in 1904, impressively urged the copying of the Egyptian example. The Government, as already stated, at once submitted his proposal to an expert authority still in active service in India, and, his Report proving altogether adverse, had wisely but also luckily dismissed Sir Frederick's scheme as unacceptable. How wise such decision was may now be judged by a comparison between the results in the two countries: Look on this picture, and then look on this!

As a matter of fact the State aid actually allowed has proved amply sufficient, and I think it was quite in the right quantity and the right form. Societies complying with the rules laid down are allowed moderate assistance, free of interest, for a period of three years. That period of grace has avowedly served as an inducement to keep societies longer in debt to Government than was really necessary. Also I regret to see it owned to that the conditions laid down

with regard to it have led to an abuse which might indeed have been foreseen. Societies applying for a State advance are required to show an equal amount of money in their keeping in the shape of share capital, reserve fund and deposits. The consequence of this has been that wily Hindoos in some cases have borrowed a certain sum from mahajans to deposit with their society, in order on the strength of that to claim the corresponding State advance—after which very probably the deposits borrowed for the purpose of window-dressing were withdrawn. Cases of this kind are referred to in one of the annual Reports from Assam.

However, there has not been really much harm done. And no one would seriously have conceived of a Co-operative Credit movement being started in India altogether without State aid. Otherwise the objects of the Act are very clearly and very ably set forth in the official Summary of the Act, of which Sir Denzil Ibbetson's speech in Council was an admirable echo.

The Act as it was passed was just as might have been expected from the collaboration of exceptionally able men, thoroughly in earnest, but dealing with a matter really entirely new to them. As a matter of course various points had been overlooked. It is not necessary here to enter into all that is laid down. The first Act was, more particularly, marked by two distinct defects. In the first place it limited authorisation, save under a permissive additamentum adopted on the proposition of Sir James Wilson, to credit societies only. In the second, it made no provision for societies combining among themselves to Unions, or forming Central Banks, which is under all circumstances highly desirable and in India may be considered an absolute necessity. Both these defects have been remedied by the Act of 1912. That does not yet, of course, make existing legislation perfect. There will be more filing necessary as time goes on. However, for the time it has given Indian Co-operators what they want.

Co-operation may be said to have been fortunate in the manner in which the new legislation was put into force. There has never been active interest wanting in either of the two grades of official organisers called into action. And the seed cast out by them may be said on the whole to have fallen upon fertile and responsive soil. And, apart from

some trifling aberrations, the machine has been kept moving on right lines.

The choice of the Registrars, upon whom the immediate responsibility for setting the Act in motion has fallen, was certainly happy. These gentlemen buckled to their new task with unmistakable determination, interest and judgment—as I may well testify, since the majority of them came to me at the outset for information and suggestions and most of them have subsequently honoured me by maintaining a close touch, freely giving me information and asking my opinion. Some of these gentlemen at first anticipated serious difficulties in the provision of money and in their getting together sufficient adherents in a society bulkheaded by walls of “caste.” But all were keen. Mr. W. R. Gourlay, the first Registrar for Bengal, who has done yeoman’s work for the movement, and to whom the movement is to a large extent beholden for a sound foundation laid, readily accepted my invitation to attend our International Co-operative Congress just about to meet at Budapest (I being at the time Chairman of the International Co-operative Alliance), which enabled me to introduce him to the leaders of the chief Co-operative Credit movements in Europe. Most of these he afterwards visited in their own respective homes. And, not content with that, he settled for four weeks at Neuwied, at that time the headquarters of the Raiffeisen Union, and there studied the practical working of rural Co-operative Credit thoroughly, under the guidance of the leaders of the movement, attending committees, visiting societies, watching inspections and making himself thoroughly acquainted generally with everything that was being done. In this way he made himself completely master of his subject. And the four weeks’ apprenticeship referred to, so Mr. Gourlay has subsequently owned to me, taught him more about the practical work that he had been charged with than all his book reading. One can readily understand this. And if, as I trust will be the case, the Government of India should decide upon an active mobilisation of their available forces for the purpose of what an American agriculturist has called “a veritable campaign of education,” in support of Co-operation, it may be hoped that they will take their cue from Mr. Gourlay and make their emissaries graduate in the school of practical

Co-operative Credit as it is worked where well established. For co-operative banking is a practical business. And there is very much indeed in the practice of such banking that writing, were it by the cleverest scribes, the most lucid expositors and most imaginative illustrators, cannot teach and that can be learnt only by the personal observation of practice, with all its practical details, such as will show whom to trust, what precautions to take, how to guard against abuse and against imposition, and what allowances to make in one's calculations. So much depends in co-operative banking upon character. And there is nothing to instil an understanding of rural borrowers' character like the observation, in detail, of practical business. As mere writers we authors are emphatically "out of it."

There is also great benefit in going back from time to time from new departures, such as new circumstances absolutely call for, to first principles, and from new schemes, in which anticipating conjecture and imagination play a great part, to longest-established practice, with its most varied and extended experience. As matters now stand, one could not of course expect Indian Registrars, even in the neophyte days of their practice as Registrars, to do as Mr. Gourlay did fifteen years ago, that is, go bodily to Germany for tuition. For some time to come that must be wholly out of the question. Please God, a state of things will return in which Antæus-like touch with the mother-stock will again become possible. Meanwhile we know what original Raiffeisenism is accomplishing, and how it is working. And that should never be lost sight of. For principle remains principle, whatever adaptation to new environments be required. And longest experience establishes the best code. We may assume that there were not a few sound provisions in Talmudist "traditions." But we have the best authority for holding that the old Decalogue, framed when social relations were of the most primitive and simple, must still be taken as overruling them. We none of us want to-day to converse in Greek or Latin. But in the land of Sanskrit, the mother-tongue of all Aryan languages, certainly it ought to be understood how precious a source to draw from in the modern use of language are those time-honoured and methodical old tongues. It is the same in the case of Co-operative Credit. The old principle—which happens

to have been thought out and established in Germany, still stands supreme, governing the entire subject matter. Then do not let us be afraid to learn in Co-operation from those whom in other matters we have now every reason to turn away from! If, as the Dutch Minister Dr. Treub has well said, amid international co-operative applause, "Co-operation knows no frontiers," then it ought also in its practice to be above rejecting economic instruction because of moral resentment. *Fas est ab hoste doceri.* India did not despise the help of two distinguished German foresters to organise for her a system of forestry which now promises her a rich revenue. In the same way let us now not despise the teaching of veteran experts in that speciality of co-operative banking, so far as first principles come into account, but continue to test our own modern adaptations, absolutely necessary as such are under new conditions, by comparison with the principles which have so brilliantly stood the test of seven decades of time. We shall not lose by such checking.

Whatever be the calls which its being placed amid new circumstances addresses to Co-operation, we have no reason to fear that those who are at the helm for its guidance will not be equal to adapting their course to prevailing currents. For one most praiseworthy feature in their conduct of affairs, for which Indian Registrars deserve the highest credit, distinctly is the resourcefulness which they have shown under new conditions. In the jungles and thickets of new circumstances they have with truly Indian instinct always managed to discover some path to lead them through. The paths chosen may again and again not have been absolutely the best. But in general they have served as evidence of good practical sense and pliant adaptability. We may therefore with confidence leave the actual battling with practical difficulties to the Registrars.

In the higher grade of the official hierarchy likewise the movement has been favoured by sound, judicious guidance. Whatever casual mistakes may have been committed, in its main principles the movement has been kept on its proper lines. Registrars in their difficulties have sometimes sighed for "Egyptian fleshpots," that is, among other things, for more liberal pecuniary benefactions, grants of *takavi*, and compulsory collection. Their superiors have (wisely in

every case) met such requests with a blunt refusal. To yield would have been to spoil Co-operation for the sake of momentary convenience; to mar the good fortune of an institution carrying in its cornucopia not quite easily opened, so it is true, rich stores of good gifts, and which advances with great promise of the best services, for the sake of a little deceptive and fleeting ease.

Under such circumstances the new movement may be said to have been launched under once-raging auspices, and thus far it may be held to have more than answered expectations. Our next business will be to examine how, under such favouring circumstances, it has fared in its main lines, after which we may do well to inquire what still remains to be done on its further course.

III

THE RESULT

THE result of the measure to which Lord Curzon as Viceroy gave his sanction in 1904 must have astonished even its own authors by its largeness. It has, at the same time, so it is satisfactory to note, gratified co-operative observers by its general soundness. If the planting of the new seed has required patience and labour, its germination and growth have brought forth rich fruitage, which now is fast ripening under a favouring sun. None of the obstacles of which so much was made at the outset, and which appeared to bar the way like unsurmountable mountains, have stopped progress. All the familiar "lions in the way" have proved idle phantoms, melting like morning mist under a summer sun. Neither has the poverty of the rural masses stood in the way of their being broken in to habits of providence and thrift and raising funds for their own fructifying use by means of self-help. No more has grossly prevalent illiteracy disabled them from learning to understand at any rate the methods, if they do not yet fully grasp the principles, of the new institution. Certain backward races have indeed had to be taken in hand by the indefatigable and self-sacrificing missionaries, acting as elementary teachers—guides in moral as well as economic instruction—who rightly discern in this new form of economic betterment a "service to man" which fits well into their sacred charge; and they are succeeding in their work. No more have differences of caste formed an insuperable barrier. Members of different castes have been found content to join hands in common work for the national cause of social improvement, which benefits the workers' surroundings as well as themselves. No more have Mahomedan scruples about the taking of interest on loans stood in the way. *"Il est avec le ciel des accom-*

modements." A way has been found for transacting credit business in one or other of perfectly businesslike ways, and without the taking of "interest" in anything like an objectionable form. The dreaded mahajan, with his insatiable greed and his command of legal trickery, under cover of false declarations and affidavits, has not been able to block the way, though he has undoubtedly tried to do so. The glad tidings of relief have been greeted with equal readiness and thankful joy by the Hindoo, still cherishing the recollections of the happy group life in the ancient Indian "village community," and the Moslem rejoicing in the brotherliness and community of interest which distinguishes his creed.

No doubt there are difficulties still to be overcome. Some such it will be my task to touch upon in the present chapter, and consider at greater length at later stages. But, whatever difficulties there may still remain, we have an earnest, in the overcoming of the more formidable hindrances now done with, that co-operators' goodwill and administrators' judicious action are likely to prove equal to the task awaiting accomplishment.

In view of such remaining difficulties no doubt we shall for the present still have in prudence to speak of the success thus far achieved only with bated breath. But in general the outlook is certainly hopeful. Never, in truth—unless, perhaps, we allow the remarkably rapid attainments of what, after all, in view of present political troubles, may prove to have been only an ephemeral triumph, in liberated Russia, to rank as a rival achievement—has co-operative seed been known to drop upon more fruitful soil and to ripen so rapidly into a rich harvest. Pioneer co-operators in Germany, the native country of most of the institutions to which we are now trying to produce fellows in India, had to labour for years and decades, straining their patience, their vigour and their eloquence, before they could pretend to have gained anything like a sure foothold. In France Industrial Co-operation, the child of the Revolution of 1848, is at the present time still struggling in its swathing bands; and its agricultural brother, called into life seven lustra later, although he has already grown to larger proportions, is still walking only in leading-strings and with the help of a governmental go-cart. Italy, Switzerland,

Belgium have much the same tale to tell ; and even Denmark had for a long time to battle with difficulties before Co-operation emerged as a dominating force. And Great Britain is in the matter of Co-operation in Agriculture still only groping its way helplessly and very awkwardly in the dark. In India the magic touch of Co-operation almost at once conjured up success. It was a second *Veni, vidi, vici*. It makes a European co-operator's mouth water to read in Mr. Langley's paper prepared for the Seventh Congress of Registrars of "one or two village societies in the Punjaub" (favoured province that indeed it has been found to be) "possessing funds exceeding a lakh of rupees ; and a number of societies with funds exceeding Rs. 10,000 is considerable." Just about ten years after the first Co-operative Act came into operation, at midsummer, 1915, Co-operation in the whole of India, including the native states of Mysore and Baroda, but exclusive of the provinces of Delhi, the North-West Frontier, and Baluchistan—in which there had up to then been little development—stood represented by no fewer than 17,327 registered co-operative societies, composed of 824,469 members and disposing of a share capital—share capital only—of Rs. 1,48,66,045, and a general working capital, including reserve funds amounting to nearly 52 lakhs, of nearly nine crores—of which sum only about 13½ lakhs represented nursing advances received from the State. More than four crores were then outstanding in loans (the number of which is not given ; but they were almost all small). Native states had lost no time in following the lead of the British Dominion. Mysore and Baroda had their co-operative societies organised altogether on the British Indian model, working under very similar Acts. And Indore, Hyderabad, and Travancore had taken their places in the co-operative phalanx. Gwalior had even in one little matter—the providing of a textbook—given us a lead. By midsummer, 1917, in spite of the war, the number of societies had risen to 23,036, with a membership of 1,045,425, and a collective working capital of Rs. 12,22,92,180, of which sum Rs. 2,12,23,325 stood for share capital, supplemented by Rs. 92,04,138 in reserve funds. Only Rs. 17,24,859 of all this stood still to the credit of the Government, having been supplied in the

shape of advances free of interest for three years. Rs. 9,01,39,858 were deposits from members, non-members and societies. The deposits taken from members alone amounted to Rs. 79,00,585—more than four times the amount loaned from the State. In the course of the year Rs. 4,24,16,473 had been lent out to individuals, of which sum there was in all Rs. 3,28,18,310 outstanding in loans still running. Of this amount it is regrettable to state that Rs. 1,04,14,861 was overdue. That is one of the spots in the sun. In addition, Rs. 1,84,91,610 had been lent out to societies and there was Rs. 3,06,16,013 such money outstanding. However, such advances, of course, had served only as material for lending out afresh to individuals. Comparatively large as were the overdue amounts, the losses sustained on these transactions had been quite trifling. The money, raised at rates of interest ranging from 5 to 8 per cent., in some few cases 10 per cent. (6 to 12½ per cent. being paid on shares), had been lent out to borrowers at rates varying from 6½ to 10 per cent. and in a few cases to 12½ per cent., which for India is a moderate rate enough. Schulze Delitzsch's banks began early in the fifties with lending at 12 to 13 per cent., in addition to which there was 2 per cent. commission charged. This was at the time considered a boon. (The Schulze Delitzsch have now all come down to 5 or 5½ per cent. with no commission.) There was, in the Indian account of 1917, after deduction of losses, a declared "profit"—which is a most misleading term, the overplus accumulated under this title being in truth simply a balance, overcharged for safety's sake, returned, as excess income tax is returned by the Government—of Rs. 31,25,305. And the cost of management works out, for 256 "Central Banks," at Rs. 3,58,878 (on a grand turnover of Rs. 1,82,52,478), for 20,459 "Agricultural Banks" at Rs. 6,42,193 (on a turnover of Rs. 5,11,89,153), and for 426 "Non-agricultural Societies" at Rs. 2,45,411 (on a turnover of Rs. 2,39,91,317). Considering Indian circumstances, the difficulties of communications and the smallness of the societies concerned, that cannot be reckoned an excessive proportion. The "agricultural societies" ("primary," or local) are all small. The average number of members is, for all India, a little above

37, for non-agricultural 146, and for "Central Banks" 111 (societies). In "agricultural" societies the figure reaches the highest point in Bombay, which reports an average of 100, Coorg following next with 82, Mysore with 77, Madras with 75, Assam with 58, Bihar and Orissa with 48, Bengal with 46, the Punjaub with 40, Ajmer with 37, the United Provinces with 36, Baroda with 33, the Central Provinces with 29, Burma bringing up the rear with 21 and 22. The number of societies is largest (3,627) in the Central Provinces, which have recently edged the Punjaub out of the premier place, the Punjaub now following with 3,495, the United Provinces with 3,246, Bengal with 3,087, Burma with 2,575, Madras with 2,216, Bihar and Orissa with 1,429, Bombay with 1,307, Mysore with 974, Ajmer with 377, Assam with 344, Baroda with 325, and Coorg with 34. The Registrar of Burma takes credit for it that in three districts of his province, namely in Kyaukse, Shwebo and Pakkoka, societies lie as thick per area as in Central Germany. However, his societies are incomparably smaller than the German. Measured by the number of members, the order of the provinces is this: Madras, 1,65,606; Bengal, 1,43,448; the Punjaub, 1,38,245; Bombay, 1,31,018; the United Provinces, 1,17,232; the Central Provinces, 1,03,132; Mysore, 74,906; Bihar and Orissa, 68,713; Burma, 55,730; Assam, 19,700; Ajmer, 13,920; Baroda, 10,994; and Coorg, 2,781.

It is interesting to pursue the progressive changes in the assistance received from the Government. Government advances stood in 1906-7 at Rs. 2,84,738. They have now risen (as per 1916-17) to Rs. 17,24,859. But that is as forming part of a total working capital of Rs. 12,22,92,180, that is, about 1·4 per cent., whereas in 1906-7 the working capital stood at only Rs. 23,71,683, and the Government's share accordingly amounted to about 12 per cent. As the societies have grown in strength—which they have to a remarkable degree—and the Central and Provincial Banks have come in to lend their aid, the need of Government help has grown smaller and smaller. In the Punjaub, to state one instance, between 1908 and 1914 its proportion to general working capital went down from 19·8 per cent. to 0·50 per cent. Indeed, it was in several provinces reported wholly superfluous, as long as

four or five years ago. However, the benefit of holding even only a small Government advance altogether free of interest for three years together has naturally tempted societies to take advantage of the opportunity and retain the money longer than was really necessary. In the Central Provinces, where the societies held Rs. 14,19,759 share capital, Rs. 42,51,707 deposits, and Rs. 15,47,513 advances from "Central Banks," there was no Government assistance at all. In Madras such assistance amounted to only Rs. 9,795 out of a total working capital of Rs. 2,04,98,851; in Coorg to Rs. 1,683 out of Rs. 1,23,470; in the United Provinces to Rs. 28,907 out of Rs. 1,20,40,886; in the Punjab to Rs. 1,33,766 out of Rs. 1,98,30,422. It is largest in Burma, where it stands at Rs. 9,62,696 out of a total working capital of Rs. 1,47,09,304. The increase in the figure for Deposits—more specifically non-members' Deposits, which are needed to bring grist to the mill—and of Reserve funds is altogether satisfactory. In 1906-7 Deposits stood at Rs. 14,72,542 (not reckoning advances from the Government), Rs. 5,76,025 being Deposits from members; and Reserve funds at Rs. 58,598. In 1916-17 the figures were respectively Rs. 4,99,67,302, Rs. 79,00,585, and Rs. 92,04,138. The province strongest in paid-up share capital is the Punjab, holding Rs. 59,44,752. Next to it stand the United Provinces with Rs. 21,39,339. Bombay follows third with Rs. 21,17,958, Madras with Rs. 20,48,564. Burma shows strength for the number and size of its societies with Rs. 19,28,564. Non-members' Deposits and loans, betokening the degree of confidence reposed in the societies by the public, are largest in Madras, where the amount is Rs. 72,87,488, between seven and eight times the amount of Government advances. They are also substantial in Bengal (Rs. 55,78,204), in Burma (Rs. 56,67,127), and in the United Provinces (Rs. 44,47,954).

There can be no denying that here is a great, in truth, a magnificent, work accomplished. "At a low computation," so said Sir Edward Maclagan at the sixth Conference of Registrars, held in 1912, "we save the agriculturists of India from an absolutely unnecessary burden of at least ten lakhs of rupees on every crore of rupees lent out by co-operative societies. And the sums so lent out already begin to be counted by crores." They have grown larger

since, the saving increasing proportionately. And that is not all by a long way. For in many districts the mahajan has by the competition created by the societies been compelled to lower his terms and deal more humanely with his borrowers. How many thousands of raiyats breathe more freely for having been able, by an easy *versura*, to convert heavy debts, dragging at their feet like cannon balls chained to a convict's leg, not for one lifetime only, but for several, with practically no hope beyond, no prospect of settlement except by eviction, into a burden which, by reason of the much lower rate of interest charged and the exclusion of the chance of trickery perpetrated under guise of legal process, they can cast off in a few years—after which to be free! How many relatives of girls destined to marriage or of near belongings of men to be carried under ground will be grateful for having had the cost of the religious ceremony severally of a wedding or a *sradh* greatly reduced to them! And how much more produce is there likely to have been got out of the soil by the employment of fertilisers, of better seed, of modern implements! At the same time there is, it may be slowly, but with remarkable steadiness, a treasure growing up to men's credit in the shape of deposits, in a doubly useful, because productively beneficial, money-box. Pusa no longer works for the wealthy only. Co-operative societies have distributed its improved seeds far and wide, among the needy as well as among the rich. There is more money for wells and irrigation generally, which means a touch of Midas to Indian soil. Hand industries, such as silk and cotton weaving, spinning, dyeing, also carpentering, shoe-making and the like, one of the hopes of the Indian working population, are doing the better for the help of the new organiser and profferer of money. In Burma Co-operation is pumping up much water for irrigation and providing new homes and settlements for landless and homeless. *Vivant sequentes!* For in this application of Co-operation lies the promise of great benefit to poor Indians. And in other provinces of utility as well already does Co-operation provide beneficially—say, against loss by mortality of cattle by means of insurance. An entirely new atmosphere has been breathed into Indian country life. A new horizon has been opened to the Indian tiller of the soil.

And we see the result distinctly affecting the moral and intellectual character of the people. There is a keen desire observable everywhere for Education—not Education for purposes of self only, in the shape of training for Co-operation and for better domestic management and business. That appetite, in truth, has not yet been awakened to anything like the desirable degree. But people are crying out for school teaching for their children. The *guru* is everywhere in request. Societies spend money freely on *pathshalas* and on *gurus'* keep. Some societies have actually made their secretaries throw into their regulation work a certain number of lessons in the raw elements of school culture per week to children. Cultivators are eager to learn about perfected Agriculture. Provident habits have at any rate made a start on a promising course. And the first shy heralds of a new practice of saving money in a more useful shape than heretofore have shown themselves the vanguard of the great army of secret hoarders bringing out some of their concealed treasure to put into the exchequer of the great national cause. Manifestly the labour employed has not been given in vain.

There can be no question to what influence these results are due.

In the first place, there is in the new institution unmistakable appropriateness to the conditions of the country. The ancient Hindoo village community, the fraternal group and family feeling among the Moslems, the readiness with which, as is attested by both Sir Frederick Nicholson and Mr. Dupernex, Indians have taken to the provident and semi-co-operative practices of the Western world in their *nidhis*, *akhbaras* and similar institutions, not forgetting the *lānas* or *rāthas* and *dangwāras* of the Punjab, prove that Co-operation is no bare name to Indians, that in their nature lie hidden germs of a tendency favourable to its acceptance and development, which readily fasten their tendrils and rootlets around the old shoots of social life and soon gain a gripping hold. It was the knowledge that this was so, no doubt, which prompted the prophecies of such greatly experienced Anglo-Indians as Sir Arthur Cotton.

It should also be borne in mind that India, the country of fabled riches, is in truth a country at the same time of great popular need. Now it is a general experience that it is backward countries in which Co-operation most readily gains converts and strikes root, gathering followers to its banner. It is primarily need which prompts to co-operative action, because under need the necessity of relief is most keenly felt and desire for it ripening to energetic effort is correspondingly most quickened. And it is its simplicity which particularly recommends Co-operation to the needy, the men of little culture.

No doubt it has to be appropriately shaped to make it suit their faculties of understanding. For this reason it is indispensable that it should be kept simple, and intelligible to the plainest-minded. And that it is, I think, which particularly commends the system actually selected. And the common interest which it evokes and which grows upon people, the new ties which Co-operation weaves, appeal naturally more or less powerfully to the isolated. One would say that the separation from other villages, owing to the undeveloped condition of communications, which is otherwise something of a hindrance in India, in itself tends to attune the Indian raiyat, with his raiyat's mind, his stereotyped simple wants and his equally simple and unpretentious hopes and ambitions, to co-operative action. Here is industry in Agriculture scattered over myriads of small communities and still much smaller farms. There is so much of the "United we stand, divided we fall" to urge to Co-operation! Co-operation is the best friend, in the present day the most indispensable ally, to small Agriculture! And at the same time it is the most effective teacher of methods of agricultural improvement, the best educator generally for the poor. There is none, for practical purposes, superior to it.

Co-operative Credit, above all forms to which Co-operation lends itself, was bound to have a strongly alluring voice for the struggling small Indian cultivator. In Great Britain we have seen Co-operation strike root first of all in the shape of Distribution or Supply, as it used to be called; in principle the two forms are the same thing—as a help to the industrial artisan. In France the revolutionary spirit of the great national upheaval

suggested industrial Production. In Denmark the tempting market of England prompted the bulking and careful grading of agricultural produce—foodstuffs—which sell best in our home country. In Ireland an influence of the same kind drove farmers to co-operative dairying. In Italy, rural colonisation, the co-operative renting of land, is the most impelling force among the poor rural population, urging them to Co-operation. In India—as before it in Germany—unmistakably Co-operative Credit stood foremost as the most commanding need. It was the use of *money* that was wanted. And to the offer of money the rural population rose with a degree of alacrity such as, in the interest of sound organisation and construction upon a sure basis, organisers had rather to bridle than to stimulate.

Next, as our second generating factor, we have the Indian Government and the India Office to thank, not only for the bringing in of a measure to establish Co-operation, and the establishment of it on generally the right lines, but also for carefully watching over its application and guiding that with a judicious and at the same time a firm and resolute hand. More than once has it occurred that, carried away by momentary impatience to produce rapid results, and eagerness, speaking economically, to reclaim the raw ground, by means, so to speak, of a ten-share motor plough, rather than the carefully handed pioneer's spade, one or other of our Registrars have asked for "powers," or else more money, or some other extraneous help, in the place of the more slowly but more surely and solidly working co-operative spirit, to speed his work, when Co-operation has been saved by the Government's replying with a firm *non possumus* and words of guidance which have generally been in the right key.

However, great recognition, perhaps most of all, is due to those same zealous Registrars, in the choice of whom the Government has certainly been guided by a happy inspiration, who have devoted themselves whole-heartedly, and on the whole with sound judgment, certainly with laudable zeal and fruitful thought, to their important mission, which, quite apart from the glaring disproportion between its magnitude and their scanty number, has proved by no means an easy one. Wisely they have de-

liberately abstained from forcing the pace and producing a showy *multa* rather than a valuable *multum*. But, on the other hand, they have certainly not allowed grass to grow under their feet. And, to what, on the whole, despite occasional lapses, must be pronounced sound judgment in the selection of means, they have added a most happy degree of resourcefulness, which has led them—at any rate up to a late hour—not to seek to apply in India German or French or Italian methods, slavishly copied, but to strike out new paths, suited to the conditions of the country and the temperament of the people, where such conduct seemed called for. As a particular instance I would notice the formation—first resorted to by Mr. Hope Simpson—of “Central Banks,” certain features in the action of which I shall indeed presently have to criticise, but which, as an institution, readily and satisfactorily supply the need which has in other countries driven people to State aid, as the assumed only resource. Even in poor India by such means has it proved possible to attract sufficient free—that is, voluntarily deposited, not conscripted or donated—money. In this direction Registrars have accomplished a great deal. In recognising the quality of their present work, in this connection, we ought not to forget the work of those early pioneers who cleared the ground and laid the first, very solid and rightly constructed, foundations. The work of the two periods is one. It has succeeded so well because with sound judgment it was begun on the right plan and maintained on right lines.

However—at the present time at any rate—there is also a reverse side to the medal, a seamy back to the woof. Progress has not at all points been equally happy. There are signs of coming tares among the growing wheat. It is not only that, in the words of one Registrar, “there is a good deal of diseased tissue to be cut away,” in order to keep the body sound. Hercules has also come to that critical awkward parting of ways, at which point he is not quite sure to which side to turn for his further progress.

Phenomenally rapid as really has been the progress of the Co-operative movement in India, to some ultra-ardent spirits it appears to have been not nearly swift enough. “We have 700,000 villages in India,” so disappointedly exclaims Sir Daniel Hamilton, who, according

to a classical saying, *quicquid vult, valde vult*. "What a small fraction of them have been thus far benefited! At the present rate of progress we shall have to wait until the year 2,200 before every one of those villages has its own village bank." Sir Andrew Fraser chimes in with a similar lament. And Mr. Ascoli points out that out of every 150 agriculturists in India now only one obtains accommodation from a village bank and that for every rupee advanced by a village bank Rs. 238 are still advanced by the mahajan. Aye, but progress is not at all likely to remain as slow, comparatively speaking, as it has been hitherto. Sir Daniel Hamilton might have satisfied himself during his last visit home in what progressive manner rightly planned co-operative movements advance as they go on, by reference to the British "Co-operative Union," whose societies, like the Indian, at the outset multiplied only at the rate of units, to accelerate their pace eventually at a surprising rate, so that at their Jubilee gathering last Whitsuntide, they could boast of having three millions and three-quarters of members on their roll. The "birks" of Sir Daniel's native country grow slowly, but they endure, and, having grown slowly, they supply all the better timber. *Chi va piano va sano, e chi va sano va lontano*. And it is *andare lontano* that we are laying ourselves out for. I have already compared our past work to laying the foundation for the railway across Chat Moss. All depends upon the foundation being sound. Once we can make sure that we have the right stones to handle, we may expect to see men and women rising up out of them numerous as those raised up according to the ancient myth by Deucalion and Pyrrha. It is the good sire and the good dam who make the valuable breed. We are troubled enough as it is with stumbling-blocks, such as illiteracy and ignorance, which lead to all sorts of misconceptions and in consequence to abuses. Let us fell our wood before attempting to square it! Of all things let us beware of "more haste, worse speed"! One good bank will make the running for a host of others. Bad banks will only frighten people off from the path on which we invite them to walk. Therefore let us make sure of making a sound start rather than a rapid one!

There is in truth no fault to be found on the score of

slow pace. But unfortunately our pudding produced is not all plums and candied peel. There has been a Pandora sitting by during the cooking who seems to have acted like that well-intentioned but misguided hotel-keeper at a well-known inn in the Tyrol, who, with the commendable intention of pleasing his English guests by doing a characteristically "English" thing, poured a bottle of Worcester sauce over the plum pudding served for dinner.

There is the mahajan, of course, to work up opinion against Co-operation. And *proh pudor!* as the Government Resolution of June 14th, 1914, explicitly states, "Cases have been known in which Government servants related to, or sympathising with, the moneylending classes, have in their official capacity obstructed the progress of Co-operation."

That admission rather prepares one for the discovery of other curious administrations of justice very unmistakably dispensed with a bandage before Justice' eyes and a very incorrect balance in her hand—that is, judgments by Civil Courts and by *munsiffs*, who take their cue from those authorities. More will have to be said about this when we come to consider measures to be taken in the future. The attitude taken up by the officers of Justice in this matter stands indeed in glaring contrast with the judicious care bestowed upon Co-operation by the administrative authorities. Such very curious administration of the law has placed great obstacles in the way of co-operative organisers. And it is not surprising that in their helplessness—only partially remedied quite of late—those organisers should have sought power for taking the law into their own hands and proceeding summarily without previous judgment in Court.

There is no debtor, of course, who relishes the duty of repaying his debt, if he can in any way wriggle out of it. And certainly raiyats in need of money are not overlikely to form exceptions to the common rule. Indeed, they have shown themselves remarkably quick at learning tricks by which to evade due repayment and to get blind Justice "as she is spoke" to shield them in their contumacy. That is what invariably happens when Justice shows a leaning. We have had a lesson in Egypt, where the fellahs have quickly acquired sufficient knowledge of evasive

expedients to place the wealthy Agricultural Bank of Egypt in a position which, with about 2,500 debtors in arrear out of 40,000, rendered proceedings in Court practically impossible. Such aptitude in the learning of a crafty defence makes one regret all the more that some of the safeguards of which European experience has taught the value, and indeed the necessity, were confidently put aside in India, as being irksome and professedly uncalled for. The Legislature, acting rightly, has refused to co-operative societies the drastic means of recovery which have sometimes been coveted and asked for, and which would soon have been played out, as are ours in England, since a very long time, under the "Friend of Labour Loan Societies Act" of 1840, applications under which magistrates were very soon brought flatly to refuse on the very good and sufficient ground distinctly stated in a Memorial handed in to the Home Office by the Bench of Leeds, that adjudications under such powers only serves to make Loan Societies careless in the examination of the security offered, trusting rather to the magistrates' order than to their own caution and so spoiling the whole institution. In respect of India the Resolution of 1914 already referred to states the ground for such refusal very well. To grant such power would have been to denature Co-operation.

However, if our Pandora has been mischievous outside the pudding, she has been no less questionably meddling within. There is a whole handful of bitter almonds that she has managed to smuggle in along with the sweet. Democratic as a co-operative society is bound to be, it must, for practical reasons, needs work through an administrative authority, composed of human beings with human failings. Now the ruling failing of the *panches* appears to be like that imputed to the Dutch of olden time "in matter of commerce," namely, of "giving too little and taking too much"—that is, of grabbing all the money that they possibly can get hold of for themselves, as a clever carver is understood to keep the best slice for himself. However, some *panches* go "one better," keeping the whole joint. And then, when the time comes for repayment, dog does not eat dog, and *panch* will not be hard upon brother-*panch*. The *panches* readily vote themselves

a mutual indemnity for leaving the debt unpaid. Under this failing the whole structure of the society becomes deformed and shaky. The essential condition of punctuality in repayment is destroyed. The society cannot go on on such lines. Beyond this, under *panch* usurpation there is no sufficient checking of objects for which money is loaned, no sufficient supervision of any kind, no business-like administration. The cat has been set to watch the milk. And all this becomes progressively worse as time goes on, because the bulk of the people to be dealt with are still, after all, terribly illiterate and ignorant, and do not really understand the principles of Co-operative Credit. They grasp the routine—even aboriginal tribes appear to do that, as Mr. Wilkie Brown, who has worked among them in Jalna, testifies; but they fail to master the why and wherefore. Government officers are so much mixed up with the business—becoming indeed so more and more—that the raiyat naturally comes to look upon the society as a Government institution, financed, of course, by the Government with public funds, and therefore not requiring repayment until debts are forcibly collected—an institution in which the raiyats themselves are “members” only *pro forma*, having no responsibility and no voice. The *panches* are not slow to take advantage of such misapprehension. And faced as they are by a host of gullible illiterates, they have “literates” at their back of whose mischievous doings Mr. Mitra has rightly complained, who, like pettifogging back-street solicitors, put them up to all sorts of “dodges” and plausible excuses, such as Civil Courts are foolish enough to accept.

And if these raiyats are ignorant, the staff supplied to instruct them appears scarcely sufficient and in some cases evidently itself wants teaching. From all quarters come in complaints of paucity of officers. Sir Daniel Hamilton would have “100,000 teachers” engaged, besides “10,000 organisers.” We do not really require anything like that number. But manifestly under the twofold evil of ignorance among the raiyats and insufficiency among the staff—which is, be it remembered, only to be-mentor the flock, not really to rule over it—and a natural paucity, at the present stage, of volunteer workers, supervision and guidance appear sadly deficient, and in consequence of

this fact abuses keep creeping in which threaten, unless there be timely correction, to rot the root and poison the sap. What shall we say of such cases as that reported from the Punjab in 1915-16, when there were in two districts only two inspectors to 900 societies, under which conditions, of course, "some societies are not inspected at all," and the inspection of those which are lucky enough to be inspected could not under the circumstances have been thorough. There were then 104 societies in liquidation. "In almost all these cases the prime cause is the inadequacy of the staff. . . . Nearly all our liquidations are due to slackness in the observance of one or other of our accepted principles." No wonder.

To make the work manageable officials have recourse to mechanical expedients which, if followed up, may constitute a fresh danger and eat the marrow out of the principle, and, if continued too long, bid fair to deprive the movement of its educational effectiveness. Do not the men at the helm perceive that in understaffing necessary offices they directly and forcibly bring about the very result which they rightly—and no doubt sincerely—protest that they desire to avoid by over-officialising the movement? An overtasked Registrar, like an overburdened Committee, of necessity has to resort to slapdash methods, to mechanical expedients, in the place of careful testing, in order to get through what is put upon him. That necessarily makes his action more rough and ready, more dictatorial, less considered, therefore more apparently arbitrary and capricious, certainly more "official." He is not allowed sufficient time to examine and investigate, to reflect as he should. You waste by sparing overmuch.

And as it is in official quarters, so it is in societies, which still lack their proper complement of brains and application. They likewise adopt rough-and-ready, mechanical methods, such as are likely to lead to mischief. We see this at all points. Instead of every claim to a loan being carefully examined as to propriety and safety, the *baissiyat* is coming into fashion as the determining factor. I hope that the references which I see to "Current accounts" (cash credits) do not mean that such are given to individuals in the place of specific loans. For if accorded to individuals they are bound to become dangerous. The Registrar is

made to decide things which really it is for the Committee to determine. Guaranteeing Unions are introduced to save Committees trouble by a mechanical discrimination not altogether without danger. And it is the Registrar, not the Committee, who is made to decide what credit the "Central Bank" may give to the "Union." The Government does not improve matters by laying down hard-and-fast rules about maximum loans to be permitted, the precise amount to be carried to reserve, the amount of reserve to be kept "fluid," and so on. All these things are really, in principle, matters for the Society or its Committee to decide upon, subject, of course, at any rate in the early stages, to general but elastic rules and supervision by Registrars and their staffs, not altogether as officials, but to some extent as temporary guides, with the official supervision not to be made progressively more severe but, on the contrary, gradually relaxed in favour of corporate society administration. The rule of maximum credits is within certain limits distinctly one for a society itself. That for "fluidity" of reserve must be a different one for "Central banks" and for what are called "primary societies." Its proper maximum may rightly differ as between bank and bank, even of the same class. The same criticism applies to the ratio of payment to reserve—always bearing in mind that in co-operative banks starting with nothing or only very little, steady and systematic accumulation of reserve funds is a paramount necessity. Under official sanction some things are becoming stereotyped and permanent which are legitimate enough—it may be even wholly advisable—at the present stage, but which will certainly call for modification as the movement advances farther and can be more systematically developed.

Officialism has been carried so far that in East Bengal and Assam, as we read in the Registrar's Report, "in a very heavily indebted part of the country the Government has even made an experiment in forming a new type of bank. These banks are financed *entirely* by the Government, and all the debts of all the members have been paid off, and the banks have been granted sufficient funds in addition for the issue of loans for the current agricultural operations. There are no deposits by members, there is no borrowing from any source except the State." Here

is Self-help and Co-operation indeed! We co-operators have been congratulating ourselves upon the fact that in the Rohika Union on the Darbhanga Estate, Mr. Collins, active Registrar that he is, has by "drastic" methods adopted successfully corrected the mischievous officialism resulting from the Estate Patwarri financing and managing the "co-operative" societies. "Though done with the best intention, the effect of this was disastrous," says the Report. "This kind of supervisional treatment cuts at the root of self-help and altogether stunts the growth of co-operative ideals." Happily "all this is changed now." But while Darbhanga is saved, a part of Assam is perverted! If there are no deposits by members, obviously there can be no training to thrift. Is this experiment being made *pour encourager les autres*? It will be interesting to learn the result.

One great drawback to the movement, of course, is the ignorance and illiteracy of the bulk of the people—90 per cent., according to the census of 1916 of the population. In Europe it has been possible nearly everywhere from the outset to introduce an element of caution and safety in the shape of a supervising council inside the society. Such Council, so one can well understand, is not generally possible at present in India, and would in all probability, if insisted upon, only serve to make confusion worse confounded. At the same time the superior supervision, so to call it, has—once more necessarily, at the present period—taken a direction which should not be permanently adhered to. This is the result, intelligibly enough, of a failure to seize the meaning of distinctions. On the European Continent we have found it extremely difficult to make even co-operators understand the distinctive difference in the character, object, and position severally of our "Co-operative Union" and our "Co-operative Wholesale Society." Organisation and Finance appeared to the Continentals to be all one. A very similar misapprehension appears to prevail, at any rate to some extent, in India. Societies combine for financial purposes, throwing in the administration as a supplement. That is like making a cashier the managing director of his establishment. *A chacun son métier et les vaches seront bien gardées.*

In truth, there is a good deal that wants seeing to.

"There is a good deal of diseased tissue to be cut away." One Registrar has liquidated at one fell swoop 23 out of 236 societies, leaving 145 extremely doubtful ones lying on the dissecting table ready for future treatment, and turning about 1,000 members out of their societies. There can be no doubt that he was right in doing as he did. But someone must have done wrong to bring things to such a pass that such a massacre became necessary.

Looking at the movement generally, there is thus far no actual harm done. However, evidently Indian Co-operation has arrived at a point at which new guide-posts will have to be provided for the path to be followed henceforth.

Meanwhile we have this to congratulate ourselves upon. By judiciously planned, well supported and sustained effort—for their particular part in which all who have been called upon to lend a hand deserve equal credit—we have seen a structure raised up which will remain a lasting monument to the well-directed labours of the present generation. With justice may the Government of India take credit for it—I cannot help remembering that, as Lord Curzon has kindly testified, I was their adviser on the point—"the policy of restricting State aid within narrow limits has been fully vindicated and has led to an increase of self-reliance and independence," and that "excessive State aid has been avoided, and the aim kept steadily in view has been, not the rapid multiplication of societies, but the restriction of the movement within safe bounds." The movement is bound to become a permanent asset of immense value to India. The gift bestowed means for the raiyat population a new lease of life, new hope for the future, a new horizon opened over which the rising sun promises more and more to disperse the choking mist. Debt figures henceforth not as a dead weight never to be cast off, but as a burden which may be removed within reasonable time. Prosperity has been placed within reach. The mere financial benefits conferred and further promised by this new Horn of Plenty are incalculable. Sir E. Maclagan did not do half justice to them in his saying already quoted. The mahajan may still lend much more than the village bank; but he feels the restraining grip upon his arm. And that same mint which in Germany alone places annually crores and crores

of rupees at the disposal of deserving producers may be counted upon with certainty to have treasures of equal amount in store for deserving men in India. It is teaching them thrift and provident habits. It is showing them how of their hidden treasure, now absolutely sterile, they may make a steady source of income enriching not themselves only. For whatever is done in Co-operation benefits the whole surrounding area. Co-operation has taught these people to set up homes for themselves, and how to settle on the land. By enabling them to shake off shackles of debt it has given many freedom. And, under severe trial, such as was certainly not looked for, when its foundation was laid, the new structure has given unmistakable proof of its financial solidity, surpassing in this respect institutions older and commonly considered stronger and better endowed than itself. The new Credit Institution—by which, as Mr. Calvert, the Registrar for the Punjab, assures us that “no depositor has ever lost a pie, whether of principal or of interest,” and which, on the showing of Mr. Beatson-Bell, dealing specifically with the matter, has “weathered many a storm already; it has weathered the crisis when the swadeshi banks failed; it has weathered the crisis when the greatest war in history began; in spite of this trial it is going strong,” and of which Mr. Mitra has testified that, “while withdrawals from the Post Office Savings Bank were fairly large, there was hardly any rush on the co-operative banks for deposits,” which fact, Mr. Mitra rightly urges, “speaks a good deal for the confidence of the public in the movement”—has indeed done a vast amount of good among the raiyats. And not among raiyats only. Those widely diffused cottage industries, which are the hope of the working population of the country, and which are saddled with so many difficulties, not the least of which are shortage of money and exploitation by the mahajan, have, on the showing of Mr. G. M. Gupta in his “Survey,” likewise profited by it not a little, more particularly the weavers of Benares, Solapur, and Madras. Among these people, who need help badly, according to his account, Co-operative Credit has “done immense good.”

But it has also taught our raiyats what is worth very much more than the money itself which it provides—that

is, how to put that money to good, profitable use. Co-operative Credit, after all, is only a means to an end. The money itself profits nothing—or India would not be so poor with all its hidden hoards. The new stimulus which Co-operation has already, while still well within its teens, imparted to interest in Agriculture, and in the improvement of Agriculture, is one of its best titles to recognition—one of its best earnest of future public benefits. Raiyats are clamouring to be taught perfected Agriculture, and to receive the means for doing so. Co-operation is distributing improved implements, improved seeds, fertilisers, feeding-stuffs; it is teaching farmers to breed, to turn their milk to better account, to make more money out of their sugar-cane, to cultivate cotton to better effect, to extend irrigation. All this portends considerably more to be looked for in the future. “The spread of agricultural improvement in India is bound up with Co-operation to such an extent that the ever-increasing scope and popularity of Co-operative Societies is an infallible indication of agricultural improvement.” So writes Mr. J. McKenna, the Agricultural Adviser to the Government of India. “By means of these societies cheap capital is made available for the cultivators’ current needs. Implements, manures, and seeds are being distributed through their agency, and organised bodies of agriculturists are being created which are more easily and successfully approached than isolated individuals. . . . In short, it may confidently be said that Co-operation and Agriculture working hand in hand have the field of India open to them, and the regeneration of a good part of agricultural India will be due to their work.”

Improved Agriculture has forced attention upon the existing drawbacks—for instance, the terrible inconvenience of scattered holdings. People are beginning to ask for a removal of impediments, towards which no agency in the world can in its turn be more helpful than Co-operation. Say people what they will in favour of the development of Indian Industry—please God, that will come too—India is, and is bound to remain, in the main an agricultural country. Its vital nerve is Agriculture. And whatever promises materially to improve Agriculture—as Co-operation most plainly does—is bound also to prove a national benefit.

However, there will be not a few people who rate the ideal achievements of Co-operation, already plainly discernible in their firstfruits, even higher than the material. The great onus resting upon India—by the side of debt—is Ignorance and Illiteracy. Well, the same agency which has made of the German *Bauer* of bygone times, the beefwitted yokel poked fun at, an intelligent and presentable creature is already now transforming the Indian raiyat. Nothing is more remarkable among the results of Co-operation in India than the unmistakable eagerness for acquiring instruction that it has imparted to those who practise it. "Another remarkable effect it has had," so writes Mr. Collins, in his Report—the tale will bear repeating—"is the demand it has created for Education. Wherever there is a co-operative society we find members anxious to educate their children, and we have now many instances where members freely contribute the maximum 10 per cent. allowed by the law from the profits of their society towards a school. We have several schools entirely financed by the societies." And again: "The enthusiasm among the members of societies is most encouraging. A number of schools have been started by societies during the present year. . . . The arrangement usually made is that if the member contributes the *guru's* food and pays fees, the Registrar, under Section 34 of the Act, sanctions the diversion of 10 per cent. of the annual profits of the society towards his pay, and supports an application for a grant-in-aid." "In many places the establishment of the societies has been followed by the opening of village schools. Contribution by societies to village schools is increasing every year." So wrote Mr. Mitra from Bengal. "Education in Co-operation is leading them along fresh and broader paths of knowledge and of thought." That comes from the Central Provinces. The tale is the same in all provinces. The Punjaub, Madras, Bombay—Bombay is very active and has already about 300 schoolboys' societies, besides vernacular teaching—the United Provinces, in some villages of which some years ago already societies made their secretaries take members' children in hand for schooling several days a week—all chime in in the same key. "Co-operation has been," so says Baboo Moti Chand, "in the highest sense of the term, education both intellectual and

moral. Where men are associated for business purposes they feel the need of education. . . . Illiteracy is a hindrance to the movement, and just as Co-operation leads to a demand for literacy, so literacy leads to a demand for Co-operation."

The co-operative *guru* and the co-operative *pathshala* are becoming recognised institutions. What a stimulus for Government to "go and do likewise"! The good effect produced is, however, not by any means limited to what we see in village *pathshalas* and in societies' contributions to *gurus'* feed and fees. Leaven of this kind once started works its way automatically in larger lumps. Evidently from what we read it must be concluded that the desire for learning has been awakened. It should certainly not be starved or stifled. "Compulsory Education," according to the testimony of Sir Daniel Hamilton, is now "demanded by practically every Deputation which waits upon the Viceroy and Mr. Montagu."

The effects of Co-operation already achieved have gone still farther than that. The "root cause," so it is often said, "of the dearth of village improvement so much complained of is 'the want of community life.' " In Sir James Meston's words, "we hear often complaints of the decay of the old village community in Northern India, one of the most ancient and durable of sociological phenomena in the world. Modern influences have at length begun to sap it. It is gone." And there is the raiyat, once a member of a closely united and knit-together family, in which he never stood alone, but all gave one another mutual help, in Oliver Goldsmith's words, "remote, unfriended, solitary, slow"—slow of mind—become solitary as a social unit! The help that he gets from the mahajan has to be dearly paid for. And who knows but his neighbour of to-day, if he were to make a little money, may be his mahajan, oppressor, and bloodsucker of to-morrow? "Many efforts have been suggested to restore that communal life," so Sir James goes on—"the revival of the village *panchayat*, the bolstering-up of the *lambardar*, the encouragement of the *mukhya*, and so on. We have seen disappointing results from most of these attempts. But in the Co-operative Movement we have a new cementing power. It unites the village community, or at least all

the best elements in it, upon the old and only permanent basis of common interest and mutual aid."

And in this opinion Sir James does not stand alone. "Co-operative societies," so writes Mr. Collins, "have supplied to the village a bond which was badly needed. The old village community, with its excellent unifying fabric, has ceased to exist. With the introduction of a centralised form of government the old institutions died away, the illiterate and ignorant raiyats were left without any cohesion and they became selfish and individualistic in their habits. If there is one thing which can take the place of and supersede the old village *panchayat* system, it is the co-operative society. It combines all the unifying principles of the indigenous system with a much superior organisation for material and moral development. The qualities of self-help which societies call forth, and the training in the management of their own affairs which the conduct of a society affords, are invaluable from every point of view. The co-operative society has changed the entire environment of those who have the good fortune to be its members. It has supplied the intellectually starved people with a fund of good ideas. Where they were without a leader or a guide they have now no lack of sympathetic advice. . . . In the place of the blank despair they have now the full assurance of ultimate salvation."

Aye, that is the coping-stone. Not only has Co-operation brought the population material relief, not only has it greatly whetted their appetite for instruction. It has also raised their status, alike intellectual and moral. Under its influence, as Sir Robert Carlyle has rightly remarked, at one of the Conferences of Registrars, India is becoming "transformed." The population has begun to grasp higher ideals and to aim at realising them. The effect of Co-operation upon their litigious practices is one of the most promising indicia of its moralising effects. "I am personally aware," so writes Mr. Collins, "of numerous cases [*sc.* of litigation] settled amicably, which but for the restraining influence exercised by these societies would have been fought to the bitter end in the courts." Giving actual figures, the Registrar for Bombay Presidency, Mr. Ewbank, reports no fewer than 752 cases referred to

arbitration in the year 1916-17. He furthermore reports : " There has been a distinct growth in the spirit of mutual help and in the knowledge of all that Co-operation implies." This testimony is by no means singular. The same result is reported by other Registrars from other provinces. " The ideal objects of Co-operation are coming to be realised and appreciated." With the advent of such appreciation a good foundation may be said to have been laid for the hoped-for improvement of country life and the establishment of a modern substitute for the ancient Indian village community. It is the same tale everywhere throughout India. Co-operative Credit has, accordingly, thoroughly made good its position. " We no longer shake our heads about the suitability of the co-operative idea to the Indian population," said Sir Edward Maclagan at the Sixth Congress of Indian Registrars. And " Co-operation is now one of the most important branches of Government business." So spoke Sir James Meston at the Eighth Congress in the United Provinces. " Its action has spread over the whole of the province, not only widely but deeply, and it has evoked a genuine, sincere, and slow-burning enthusiasm in the hearts of the people, which is the surest guarantee of its durability and success."

We have, in fact, the authority of one who knows the Indian native population well—that is, Canon Rivington, as quoted by Sir George Clarke, when Governor of Bombay—to the effect that " the Agricultural and Co-operative Departments had made a deeper impression on the life of the people than any of the other measures which the Government are engaged in promoting."

Surely Sir J. Meston was not wrong when he described Co-operation as " not only a great financial and economic, but also a great social force." Its promise is great. Do not let us grow impatient because the day of ultimate salvation is not as quick in coming as in our eagerness we should desire! It will surely come in its proper time. The firstfruits which we have thus far gathered in are certainly ample and fair and richly promising, and should reassure us, if we have entertained any doubts, as to ultimate success. I must confess that I look upon India as the country of countries to prove the value of Co-operation. In its national and social conditions, in the temperament

and the necessities of its population, it possesses all the elements out of which to raise up good co-operative practice in exuberant plenty. "Slowly but steadily," once more to quote Mr. Mitra, "the Co-operative Movement 'is working out an economic revolution, the importance of which cannot be exaggerated. The gradual release of the masses from the thralldom of usury, the better use which the members now make of their credit facilities, the improvement of the indigenous system of money-lending, affording relief every year to an increasing number of people not directly connected with the movement, the inculcation of the principle of thrift and self-help, the check which the system imposes upon extravagance in social ceremonies, are some of the most direct and tangible results of the movement. Instances can be multiplied to indicate the indirect effects of the movement, how it promotes the moral and social improvement of the people, brings about a reformation of bad characters, creates a desire for education, encourages the settlement of village disputes by arbitration, discourages litigation, promotes a wider outlook on life, and makes village life healthier in all its relations."

Mr. Mitra knew what he was writing about. Here is his estimate of the value and the prospects of the movement, which appears to be ushering in a new era for India. I myself have no doubt as to the accuracy of his forecast.

IV

PRECEDENTS GOOD AND BAD

SOME, at any rate, of the looser tendencies—tendencies still rather than actual practices—now foreboding possibilities of mischief in the Indian Co-operative Movement in all probability are attributable to the desire, naturally enough evinced among those who are interested in the movement, to obtain new light and leading from European systems of Co-operative Credit now in force, so as to be able to graft “improved” European shoots upon the native Indian stock. European practices and methods are accordingly being studied with great attention, but not perhaps with all that discrimination which the matter calls for. Indian students of Co-operation, in fact, appear a little too ready to accept Europeans’ laudations of their own several co-operative organisations at face value. Thus, to state but one instance, we find so genuine a lover of Co-operation as Professor Radhamakamal Mukherjee on the one hand confidently eulogising the State coddling, very much advertised as it is, of Germany, Austria, and Hungary—which has lost its patrons a good deal of money, without producing any corresponding genuine good, although very substantial political results—and on the other hand inconsistently echoing the British consumers’ cry: “The consumer transcends the producer.” Proverbially everyone’s geese are swans to himself. There is a well-known story of a well-bred courtier who, at his lord’s table, very complaisantly sang the praises of the indifferent wines set before him, but when a glass of really good wine was given to him remained mute. When questioned upon this, his reply was: “Oh, this wine sings its own praises.” So it is with the various systems of Co-operation. To judge rightly of their true quality we want to look at their results, not to the labels affixed to them by their authors. The

proof of the pudding is in the eating. What "the consumer transcending the producer" means we have had a telling proof of in Ireland, where the Co-operative Wholesale Society of Great Britain laid its shackles upon Irish farmers in order to provide cheap milk and butter for the British industrial consumer, to the Irish raiyat's prejudice. It was Sir Horace Plunkett's resolute action which forced the yoke off the farmers' neck and secured for them their proper due, according to the well-chosen motto of the great American "Farmers' Educational and Co-operative Union": "To the producer belongs the produce of his toil." We see it again now in the strife unfairly raised by British consumers against the farmers who, in truth, having heavy outgoings to cope with, such as were not previously known, have patriotically done their honest best for food production—strife threatening such breach between industrial and agricultural Co-operation as the Socialist Dr. Hans Müller, whom Professor Mukherjee unreflectingly singles out for special admiration, actually in his time of office brought about between the two interests in Switzerland, his adopted country, after we had not without labour brought them into union in one Federation. "If I had my way," so Dr. Müller frankly declared at the Co-operative Congress of Düsseldorf, some twelve or thirteen years ago, "I would exclude agriculturists altogether from recognised Co-operation." He wanted agricultural Co-operation cut out altogether out of our programme in the International Co-operative Alliance. That surely, Professor Mukherjee, is not the sort of man to choose as a special prophet for the Indian raiyat whom we are trying to help. Consumers' Co-operation is in itself an excellent thing, a thing without which we absolutely could not do. However, cultivated one-sidedly, as the sole object of Co-operation, it threatens to destroy almost the best part of that movement. For Co-operation, like everything else of a composite character, wants a fair balance maintained between its component parts. Housewives in my native county of Yorkshire have a rather apt term for the undue predominance of one particular ingredient in a dish. They say the dish "has a master." The "master" to some extent spoils the dish. The "master" in British Co-operation in the present day is proportionally

overdeveloped Distribution, overpowering other forms. We see the effect in the obscuring—let us hope only temporary—of the avowed ideal objects of Co-operation, in favour of political and one-sided class economic interests. There is in truth no more selfish creature than the one-sided consumer raised to power. Our British consumers began with a cry for “Justice,” proclaiming “Capital” their arch-foe. Once organised, however, the first thing that they—very rightly—exerted themselves to secure was the denounced “Capital.” And when they had it, they used it, and still use it, just as the hated “Capitalist” had done before them. By means of its huge “Capital” the Co-operative Wholesale Society domineers over the Union. By means of its “Capital” it not only resists independent Co-operative Production—the aim of which is to emancipate the working man and turn the wage servant into a free self-employer—but cuckoo-like turns the birds, who by resource and devotion have laboriously constructed it, out of their nest, when it is made thoroughly habitable. It is in this way that the Leicester Hosiery, the Hebden Bridge Fustian Cutters, and the Insurance Society have been swallowed up, not to mention others. And now, in the place of “Justice,” at the Glasgow Congress we heard the cry go forth for “Supremacy”—of course by a Wholesaler. To justify such policy the Distributors contend that it is they and they alone who have the right to carry on “Co-operative Production.” But to talk of Production only for the service of Distribution as the ideal of co-operative organisation is to use a misnomer. Such Production is in itself perfectly right and proper. However, it leaves the position of producing Labour unchanged. It keeps employer and employed at issue. The Swiss economist M. Secrétan has shown that it does not in this respect matter whether the wage-earner has one master or many. That still leaves him a person dependent upon the will of others. In Production for Distribution we have still had Labour disputes, even serious strikes ; and we have a trade union of co-operative employees. Such Production, in fact, only represents an alternative form of buying, with the purchase price paid in the form of wages and raw material instead of in that of money for the ready article. It is like the housewife baking her own

bread, instead of buying it ready baked. That does not constitute her a "baker," any more than my sewing on a button to my shirt constitutes me a "hosier." The co-operative producer is fighting for emancipation, in India at the present time for the emancipation of the raiyat from bondage under the mahajan. Distributive Co-operation, as we see it in Great Britain, is openly opposed to such emancipation. It distinctly taboos even profit-sharing. It is perfectly willing to do business, large business, with non-members for profit—like the middlemen—taking big contracts from the Government. Then why, on the other hand, should not Co-operative Production, in the interest of the emancipation of Labour, both industrial and agricultural, have its free fling as well? We know from the various "Milk-wars"—in Berlin, in Switzerland, in Chicago, in New York and elsewhere (in Switzerland Professor Mukherjee's friend Dr. Hans Müller particularly distinguished himself by his hostility to farmers)—how seriously Co-operative Distribution and Co-operative Production may come into conflict. And Distribution, having, as a rule, the better-filled pocket, generally gains the day. It thereby ensures *cheap* milk. The very great improvement in the *quality* of the milk sold, thanks to insistence upon cleanliness, of bacteriological examination and so on, has been the work of Co-operative *Production*. Both cheapness and purity are gains. But there should be a fair balance between them. And Co-operation should "live and let live" Distribution and Production alike.

Consumers' Co-operation by itself leads straight to that narrow Capitalism which forgets "the rock whence it was hewn." In Great Britain we have the Co-operative Women's testimony for it—the proof is to be found in Sunderland, for one place—that our distributive Co-operation, as now organised, does not minister in anything like a sufficient measure to the wants of the poor, for whose benefit it was in truth specifically devised. And we have the testimony of the late J. C. Gray, in his day General Secretary of the Co-operative Union, publicly expressed, to show that our Co-operation now neglects the poor, its benefits being practically confined to the "well-paid artisans" who, as has been shown, ask for "Supremacy." In the

days when I attended Co-operative Congresses, whenever I had a proposition to bring forward, Mr. Gray begged me not to come before Congress as the representative of my own little productive society, whose name would command no respect, but to obtain nomination from some important, well-financed society, which would secure me a favourable hearing. In other words, it was not the cause, or the argument, that was to count, but the person of the accreditator. Thus it was when—about twenty years ago—I asked for a resolution in support of my demand for Co-operative Legislation for our West Indian Colonies which, with the help of Mr. J. Chamberlain, then Secretary of State for the Colonies, I succeeded in carrying.*

Co-operation in Agriculture is in the main a *producers'* question. However, in genuine Co-operation there is no antagonism whatever between Production and Distribution. Both are equally interested in the same cause, which is emancipation of the weak and equality for them with the strong, the substitution of a fair bargain in the place of dictation. The main aim of the "fathers" of British Co-operation, from Robert Owen downward—Vansittart Neale, Tom Hughes, Kingsley, Ludlow and so on—just as of the French, Charles Robert and others, was the emancipation of the weak. Store Co-operation was in truth to be only a means towards that end. The labourer—in due course the small farmer—badly dominated as he was by wealthier interests, was to be made his own master, and dependence was to be turned into equality. The Co-operative Wholesale Society and other declared one-horse consumers have, all along, been opposed to that idea. They want Production and Labour to remain servants to Consumption. According to their demands it is now the land-owning Distributive Society which is to crowd out the independent farmer and till his land for its own profit. That does not appear altogether an ideal programme for Indian raiyats and their well-wishers and

* Unfortunately little beyond the actual passing of such legislation has resulted from the action then taken. I had planned a journey to the West Indies. But the unexpected delay—for some months—in the departure of the first ship of the Elder Dempster Line under the then new subsidisation arrangement, in which I was to proceed in company with Sir A. Jones, the Chairman of the Company, and Sir G. Hemming, the Governor of Jamaica, upset those plans.

friends. We shall, accordingly, in India have to seek for another pole-star to guide us.

The real foe of Co-operation is not "Capital"—which is absolutely necessary for production of any kind—nor the individual producer. The most redoubtable opponent to be destroyed is the grasping middleman with his dictatorship, his enslaving action and his—according to Professor Mukherjee—20 to 200 per cent. profit for himself. Producer and consumer suffer under him equally, and so does the community. The middleman has in his time rendered very valuable, indeed indispensable, service. But his time is in very many instances now past. With the help of Co-operation small men can do without him, as Lancashire cotton kings have learnt to do without him, closing up middlemen's offices in Friday Street, and substituting their own paid agents. And they are entitled to this.

For Indian raiyats certainly the Manchester shibboleth so readily adopted by Professor Mukherjee has no justification or promise whatever. In India it is the agriculturist, whom Dr. Hans Müller would ruthlessly rule out altogether, who first of all stands in need of Co-operation—the agriculturist, whom the British Co-operative Union now denounces and opposes, even in Co-operative organisation. Do not let Indians be led away by deceptive cries sent forth with selfish objects. The type of Co-operation for them is rather that recommended by Sir Horace Plunkett, by the late E. Vansittart Neale and his companions, than that contended for by narrow-minded, one-sided consumers.

There is one thing to which I admit the temptation is rather inviting for thinking minds, the example having been set by official reporters—against which I would rather seriously warn Indian students of Co-operation—and that is, to treat the incidental methods of different Co-operative systems as interchangeable parts, which may be pieced together at pleasure according to one's fancy. Whatever we may otherwise think of those systems, there is this to be said in their favour, that they are all well thought out, fitted together under the teaching of Experience, which has called for modifications, and are complete in themselves. To try to mix their parts up in a promiscuous way would be to repeat the experiment of Frankenstein.

And another point is this : Do not trust to simple hearsay, do not believe all that advocates of this or that system say on its behalf and what you see advertised. There is no more lying brood than co-operators pleading *pro domo suo* against other co-operators. In 1894 my friend M. Jules Many, having been commissioned by the French Government to conduct an inquiry into the several established systems of operating Co-operative Credit, asked my advice and suggestively proposed—"to ask the Schulze Delitzschers about the Raiffeisen system, and *vice versa*." In that case, I replied, you will hear nothing but lies. He could not, by the way, proceed far in his proposed inquiry, which was cut short by a change of Government. He got to Mr. Dupernex's model bank of Mentone, and confessed to me : "I could not see anything 'co-operative' in that bank ; the first thing that greeted my eyes was a notice put up in five different languages: 'Circular Notes may be cashed here' ; I don't call that 'co-operative.'" My advice is : Go and see for yourselves. I learnt that lesson in 1893 and have stuck to it since. At the French Co-operative Banks' Congress of that year, held in spring at Toulouse, I ventured to propose, in view of the animosities at that time raging among Co-operative Credit organisers of various types, that the French *Centre Fédératif* as a neutral body, should take in hand the collection of complete and impartial statistics, the want of which was badly felt. The task being considered beyond the capacity of the *Centre Fédératif*, M. Many, representing the Government, somewhat rashly undertook on the Government's behalf to do the desired work. Ten weeks after, as I returned home by way of Paris, it occurred to me to inquire at the Ministry of Commerce how that inquiry was proceeding. Nothing, of course, had been done. But in the course of a conversation with the head of the Statistical Department I was given in great detail an account of the French Savings Bank system, which turned out to be altogether wrong. Since then I have preferred to see things for myself with my own eyes. Those general statistics of the world's Co-operation, by the way—of which the want is no less felt now than it was twenty-seven years ago—that is, complete, trustworthy, and impartial statistics, we have now some chance of securing. At its

last sitting, shortly before the war, the International Statistical Congress, sitting at Munich, appointed a Subcommittee to consider whether that Congress could undertake the collection of such statistics. The war has, of course, interrupted that consideration. But the war has now come to an end, and it is to be hoped that the inquiry will be resumed. Certainly statistics that are complete, trustworthy, and above all things impartial, would be a boon.

Now, as regards precedents, Indian co-operators want to be reminded that Europeans are no more infallible in the matter of this movement than are Indians. They are moved in their several organisations by all sorts of different and contrariant motives—altruism, egotism, politics, denominational propaganda, labour supremacy, etc. etc.—and accordingly produce the most divers and heterogeneous types of Co-operation. There is, in truth, no bad practice in Co-operation for which a precedent may not be found in Europe.

As regards specifically Co-operative Credit, there are varieties of Co-operative Credit in Europe almost beyond the possibility of enumeration. And every one of them is in its turn praised up to the skies by its own adherents as the veritable and only genuinely good one. Proverbially everyone cracks up his own goods—*chacun prêche pour son saint*. But there is another French proverb, quite as true, which says : *Plaidetur menteur*—in Lord Bacon's words, pleaders for a cause think more about "what may be *said* for it than what ought to be *thought* about it." You cannot judge of the value of a commodity by the account which its maker gives of it, or of the prospects of a new company project by its prospectus. If you want to know what a thing is really worth you have to test it. Precedents are admirable. But there is an excellent ancient proverb which says : "Optimum est sequi majores, recte si præcesserint." There is great virtue in that qualification.

It has been my lot to see, I think, in the course of my long-continued studies, with my own eyes, more, not of course of any one particular system, but generally of all the various systems practised than most other men. My studies naturally led me to do so. And the position which I long held as President of the International Co-operative Alliance

secured to me admirable opportunities for Cicero's *πάντ' εἶδεναι*,* the seeing, if not actually the knowing, of all that occurred. Under such circumstances perhaps a brief survey of the principal systems actually at work, summarily characterising their specific aims and qualities, may not be thrown away upon those who are seeking for new light in the matter of Co-operation and specifically of Co-operative Credit. We sometimes find a "red book" useful upon our travels. Proverbially "it is not all gold that glitters." And there is mountebanking in Co-operation, as in the sale of patent medicines.

The task set to Co-operative Banking, so it may be well to recall to mind, is, in the words of Schulze Delitzsch, its first apostle, "to procure capitals without a capital of guarantee," or, as the veteran French economist, recently passed away, M. F. Passy, has put it, to "procure credit for those who have no security in the shape of capital to offer in exchange."

That task, though at the outset presenting somewhat serious difficulties, was even in its early progress sensibly lightened to both Schulze and his Belgian and Italian disciples, d'Andrimont and Luzzatti, by the generally recognised call for thrift, coupled with an absence in the countries concerned of suitable machinery for promoting such. It was upon that foundation that they all alike built up their systems, getting over the difficulty of the presence of "no capital of guarantee" by demanding the taking up of shares which Schulze Delitzsch and d'Andrimont advisedly made very substantial, insisting upon the collection in this way of at any rate a moderate "capital of guarantee," in order that there might be a "tangible security to pledge"—although in point of amount that capital must for a long time still be trifling in comparison with the calls to be made upon it.

To Raiffeisen, on the other hand, the problem stated presented itself in absolutely liberidan nakedness, and it was the problem of problems to him. His object was, indeed, to promote thrift; but of necessity to promote it by slower progression—since in the field in which he was called upon to operate means were scantier—but above all things³ to bring aid, not specifically to Agriculture as a

* His chosen motto was: οὐδέν γλυκύτερον ἢ πάντ' εἶδεναι.

calling—although its reflex effect must infallibly be to do so, since those whom he had selected as his beneficiaries lived in the main by Agriculture, and were all of them in the end dependent upon the prosperity of Agriculture—but to help the poor in rural districts, to raise them out of misery and set them economically upon their feet in independence. That distinction of objects is essential in the comparison of the several systems, because as a matter of necessity it determined the choice of different means for the attainment of the object aimed at. Agriculture would be benefited by Raiffeisen's Co-operation, because only in rural districts were his distinctive methods practicable. But it was essentially *the poor*, as poor, to whom Raiffeisen sought to bring relief—the poor, oppressed and held in peonage by the German "Jews"—whether Israelite or professedly Christian—at that period fully as constrainingly as are the Indian raiyats now by their mahajans and sáhúkars. Accordingly, feeling his way step by step, and gradually adapting his method to his purpose, he shaped his system so as to make it fulfil above all things this one condition. He by no means desired to keep out the wealthy, and those supposed to be independent of credit, from his societies. Quite the reverse, he expressly invited them in. But he solicited them to come in, not to take, but to give; not as intending beneficiaries but as intending benefactors, and dispensers of the purest, the most beneficent kind of benefaction, benefiting those whom it was desired to assist, without demoralising them by gifts and patronage. The cardinal point, the pivot upon which his entire system was to turn, accordingly, must be, in the place of pledgeable capital, to enforce scrupulously careful discriminating selection of members and officers, and studied dividing down of responsibility, from the community to the unit, so as to ensure rigid compliance with duty. Raiffeisen did not ask what a man *had*. But he did ask what a man *was*, what he wanted his money for, and, having judged such employment to be justifiable, and the outlay promising, he took all care to make sure that to that employment and outlay the money would go.

Now, obviously, this is an object which can have only a limited application. It is not an object which would,

as indicating a boon to be received, necessarily appeal to wealthy zemindars and substantial farmers, be they ever so "agricultural," and also in need of working funds. But, manifestly, in India, with its millions of poverty-stricken and usury-ridden raiyats, that application must be a large one, and on the ground upon which it is found suitable there can scarcely be any other. In Germany—and in Europe generally—the area to which it may with confidence be applied is narrower. And the system is naturally irksome in some respects—it may be, painfully irksome to those who by reason of their possessions have easier means of satisfying their need at their disposal. The burden imposed cannot be lightened to the well-to-do benefactors coming in, because that would spoil the system. There must be no distinction made between "patron" members and "benefiting" members, as there has been in some French and Belgian agricultural syndicates and as there still is in that host of Hungarian "co-operative" societies, of the brilliant results of which such a great show is made now, and so many tales are blared abroad. As members all members must be equal. And the wealthy man must shoulder his burden just like the poor, not only to avoid resentment, but also in order that he may be counted upon to contribute his full share to the common stock, in the shape, not of money, but of that which is to the society worth a good deal more—namely, his example, his guidance, the loan of the fruits of his experience, and the use of his credit, the last named to be carefully safeguarded by himself.

And not only was Raiffeisen's system designed as one specifically for the assistance of the poor. But it also differs from others in this, that it distinctly has an ideal, a religious aim in it, as well as an economic. It is to make men *better* men, under every aspect, as well as better off. And it has in practice richly shown its capacity for doing so. And not only are men under it to become more honest, more sober, more thrifty, better educated, more God-fearing; but they are also to become more brotherly, more mutually helpful, more bound together by close common ties. "Man-making," in Mr. Gladstone's sense,* com-

* "It is self-help which makes the man," so Mr. Gladstone in 1890 phonographed to some promoters of provident action in America; "and

munity-creating, it is to weld together the village into a sort of family, in which neighbourly feeling of a practical kind prevails, neighbours willingly feeling with and helping one another and so calling into being something like a new and better world. "I have seen," so the Hungarian Deputy, Professor von Dobransky, wrote in his official Report, after visiting the Raiffeisen societies in Germany, in the course of an inquiry similar to that undertaken by Sir F. Nicholson, upon which he had been sent by his Government, "a new world, a world of brotherhood. It is a world of brotherly love and mutual help, where everyone is the protector and assister of his neighbour. An isolated man here finds himself transplanted into the bosom of a community whose resources multiply a hundred-fold the productive power of its labour and crown it with success." The late Eugène Rostand, although a champion rather of a different system, has termed it "the happy combination of sound business spirit with the sentiment of a true, a practical philanthropy."*

For India, with its recollections of its ancient "village community," that ought to be a suggestive and self-commending object-lesson.

With such an object in view as has just been described, quite naturally Raiffeisen pursued a laborious and unpretending course. He did not care about self-advertisement and the beating of the big drum. "Pushfulness" was the last quality that he could lay claim to. He was content to trudge on humbly in his rut. In 1895 when, after a course of waters at Carlsbad, I made a short stay, for recuperation, in the Thuringian Forest, and, walking about there, conversing freely with peasants, I discovered among them a distinct desire for something like Raiffeisen Co-operation, I at once wrote to Raiffeisen's successor at headquarters, urging him to send lecturers into that part of the country, where I was in a position to assure him that they would be received with a hearty welcome. The

man-making is the aim which the Almighty has everywhere impressed upon Creation. It is thrift by which self-help for the masses, dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good."

* "C'est l'heureuse union de l'esprit d'affaires avec les sentimens d'une véritable, d'une pratique philanthropie."

reply that I received was that the progress of the movement "must be left in the hand of God." Raiffeisen and his followers trusted to the goodness of their cause to create its own expansion. "Good wine" was thought to "need no bush," some forty years after its pressing. It was only something like twenty-five years after its commencement that Raiffeisen's good work in his Rhenish villages became at all known to the outer world. And then its growing reputation was due, not to self-advertisement, but to the inquiry which William I. of Prussia, having heard of what was going on, directed to be instituted in 1874 and 1875. It was not Raiffeisen who made the "splurge."

As was the man, and as was the governing idea of his scheme, so was the progress of the movement. There was no hurry to get on, no touting for adherents, no beating of the big drum. It was of the essence of the scheme that adherents should not be sought for but should be admitted only so far as they were found to be admissible. The conditions imposed must be strictly observed. Once the scheme had become known, of course, in virtue of its goodness, it spread—rapidly, too, all things considered. However, what ground it gained, it gained by its own good services, not by any adventitious aids. Public authorities, priests and ministers indeed alike commended it—but platonically. The priests and ministers joined in the newly formed ranks. They had no money to bring in, and their patronage extended no farther. Apart from a few thousand rupees contributed in two or three offerings from King William's and his immediate successor's Privy Purse, there was no money, whether public or private, paid in from the outside. And when in 1895 the State-endowed Central Bank—of the part played by which in the propagation of "Co-operative Credit," I shall still have to speak—being then newly formed, pressed its services upon the Raiffeisen Union, that Union—just like the Union of Schulze Delitzsch societies—proudly declined the offer on the ground that it was fully competent to provide for itself. It was only much later that it suffered itself to be persuaded to accept the aid of the State Bank—for a very short time.

• Like other Unions of the sort, the Raiffeisen Union has

had its setbacks. But these have not proceeded from the observance of its principles, but rather directly from neglect of them, and from excessive regard for what was rather too charitably considered to be "co-operative spirit," that is, over-readiness to support "co-operative" enterprises which had by imprudent management got into trouble, in their need. That was unbusinesslike and proves something against the persons who were at the helm; but it proves nothing whatever against the system. Against such misadventures must be set the impressive loyalty shown by almost the entire array of the societies enlisted in 1912, when the State-endowed Central Bank, greatly overrating its own power, made a brutal attempt to wreck the Raiffeisen Union, in order, as has been admitted, to bring the societies composing it, separated from their parent stock, into subjection to itself. There was a considerable deficit to make up on the score of the mistakes already alluded to. But as one man the societies rose to the occasion and gladly made a substantial sacrifice—long since wiped out under good, businesslike management—to keep their Union intact.

Strikingly different from Raiffeisen alike in character and in action was his apostate pupil Haas, who subsequently became his rival, promoting his own competing organisation. A man of good position, decidedly good parts, endowed with an engaging presence, a thoroughly genial companion—especially over a bottle or two of good Rhenish—although not by any means an orator, yet a ready speaker, and a first-rate organiser, Wilhelm Haas seemed cut out for the part which he was actually called upon to play as the leader of a movement. As a testimony to his capacity and the general appreciation of his attainments it may be mentioned that, while a member of the Diet of his diminutive little country, Hesse, he was elected Speaker, and that subsequently a post as Minister of State was offered to him, which he declined, preferring to devote his energies entirely to the service of Co-operation. One great point in his characteristic qualities, which helped him more than anything else, was that, as a violent anti-British Pan-German, he knew well how to write and speak in the Tirpitz tone, and to use Imperialist phrases and catchwords, which told greatly with the German public, bitten as it was with "kaiserist" sentiment, and still more, and to ex-

cellent effect, with its rulers. Thus, at the Jubilee Congress of his Union at Mayence, in 1908, under the presidency of the Hessian Grand Duke, who is the son of our Princess Alice, with a (Unionist) Irish landlord sitting near him as an invited guest, he had a doggerel song sung denouncing "John Bull and the Frenchman" as going mad with envy at the thought of German prosperity—"which madness we snap our fingers at, while we have William of Hohenzollern to send them to the right about."* Our International Co-operative Alliance Haas would have nothing to do with, avowedly because its Executive Committee was (for purely practical reasons, the seat of the Alliance being in London) composed of "Englishmen." And he deliberately abused the courtesy of an invitation tendered to him to attend our Congress at Budapest as an honoured guest in 1904, to get the Austrian and Hungarian agricultural co-operators away from us, in order that he himself might with their aid set up a purely German Junker-governed "International" Alliance of his own—of which we have not heard much since his death.

Wilhelm Haas began his co-operative career as a devoted pupil and follower of F. W. Raiffeisen. From the outset probably he cared little for the ideal side of Raiffeisen's programme, nor did he think greatly of the poor. But he was quick to discern the great commercial utility of Co-operation for the landed interest. Raiffeisen's tenacious insistence upon cast-iron observance of the principles laid down by himself, under the maintenance of rigid centralisation in matters of direction, may also have gone against the grain with him. And no doubt Raiffeisen had some angularities. In any case, shortly after 1880 Haas, in company with Dr. von Langsdorff and Herr Weidenhammer, separated himself openly from Raiffeisen, in order

The precise words are these :—

"Zum Kampf nach aussen mögen d'rum
John Bull and Franxmann kollern,
Das ficht uns nicht so lang regiert
Wilhelm von Hohenzollern.

"Den Hahn in Ruh ! Die Flinte blank !
Lasst nie die Schwerter rosten !
Kein Kampfgeschrei ! Doch wenn es gilt
Seid Alle auf dem Posten !"

to start a movement of his own which was to be strictly economic, without any ideal aims imported into it, and for the benefit of the landowning and farming interest generally, but more particularly the large ones with the petty cultivators enlisted only as hangers-on, so to put it, eleemosynary beneficiaries, receiving benefits, but practically not admitted to the right of a say in matters. It is everything but a democratic movement. And it is "co-operative" only in the lower, materialistic sense of the word. In 1883 he succeeded in forming in Hesse a small union of about a dozen little agricultural supply societies. However, for about twelve years after, this movement remained feeble and altogether local and scarcely known. Indeed, by a systematic withholding of information from inquirers and the public, Haas appeared advisedly to be keeping his light jealously under a bushel.

A great change came about in 1895. In 1894 the German Emperor had decided upon that ambitiously aggressive policy which came to a head in 1914. To be able to pursue it, he must make sure of the support of the landowning interest and the rural electorate. For both industrialists and the working classes had their noses badly out of joint at the time--the last named on account of the miscarriage of the pretentiously announced Labour Congress of 1890 and the anti-socialist policy then being rigorously pursued. The industrial and commercial classes were smarting under the effect of the breach over tariffs with Russia only just set right after doing a deal of damage to German commerce and industry. Among the agricultural interest the powerful squirearchy was likewise sulking under the effect of the renewal of the commercial treaty with Russia, which reduced the price of corn in Germany, but also saved the country from imminently threatening famine, for which reason the Emperor himself had termed it "the saving deed." However, that was nothing to the squires, who sulked. But those same squires were to be propitiated. William II. went down into their "Society," and announced his firm "resolve" to make Germany henceforth "independent of foreign supply of foodstuffs." That meant "corn in Egypt"—effective Protection^o for the squires, who in Germany generally farm their own estates—dear corn. In support of that "resolve" William spared

neither public money nor favours—the intended result of all of which was, by the lavish bestowal of benefits out of public resources, to knit the rural population firmly to his Throne, under the rule of the Junkers, that is, the squires, who were to stand at the head. Forthwith the State-endowed Central Bank was created—the endowment of which has gradually grown to six crores of rupees—to supply whatever money might be required for the benefit of the Junkers. Next, those most useful institutions—richly useful, apart from their unmistakable political aim—the Prussian “Chambers of Agriculture,” were called into being. Railway rates—the Government being the owner of the railways—were lowered for agricultural produce. And at all points were concessions made, and boons showered upon the henceforth specially favoured calling.

However, to make all this material productive of results some effective machinery was needed. To single out only one point: those six crores of rupees, with all the deposit money that such ample share capital might be counted upon to attract, could not be distributed among the agricultural public *takavi* fashion in dribblets to individuals, by Revenue Officers and Deputy Collectors. There must be organised societies to act as intermediaries—distributors and re-collectors. Now here was the “Ellangowan height,” on which “Bertram’s right and Bertram’s might” might be made to meet. All co-operative organisations were invited to accept the Dana-an gift. The Raiffeiseners, standing first, flatly refused, as did also the Schulze Delitzschers. The Powerful Peasants’ Associations—organised in imitation of Raiffeisen’s societies, on the same lines, but with a strongly denominational colouring—being amply provided by their magnate patrons, stood in no need of pecuniary assistance, and, apart from that, were content to trust to their devoted leaders alone.*

* It is odd indeed that none of our official scribes reporting upon Co-operation should have paid any attention to these undoubtedly useful and really powerful organisations, which stand for a great deal in German Agriculture and rural life. Their membership is very considerable and their influence is not small. If included in the published statistics, and bracketed with the Raiffeisen societies—the organisation of which they have in fact so closely copied that officers of the two bodies freely exchange from one to the other—they would swell the roll of such societies and the record of their business considerably. There are, as it happens, no statistics published

Other organisations of any pretensions there were then none in Prussia. And for the time action outside Prussia was still not constitutionally possible. Outside Prussia for constitutional reasons nothing had yet been attempted from Berlin. However, the time seemed come for mobilising the agricultural interest on a wider basis. And accordingly, evidently with such power at his back as the Prussian Government could supply, Haas was the man to employ for mobilising agricultural Germany in the Emperor's interest. He accepted the mission. The rapid growth of his Hessian Union dates from that time, and was based upon that foundation. Co-operation itself, aptly handled, the prospect of buying more cheaply and selling more dearly, organising the sale of dairy produce, cattle, potato spirit, etc., in the interest of the producer, and the securing of advances in money for convenient periods at a moderate rate of interest—all this in itself was bound to bring recruits to the cadres. But there was more. Prussia, with its numerous "Excellencies," of whom Prince Hohenlohe has written, is the country of all others for titles, decorations and similar distinctions. They were showered lavishly upon Herr Haas and his leading colleagues. Princes and high dignitaries of State took an active part in the Congresses and in all the doings of the new Union. And official pressure was strongly brought to bear upon other existing organisations to attach themselves to Herr Haas' Union, which has, like our big joint-stock banks, grown mainly by amalgamations. Thus in Rhineland, Agricultural Co-operation had been moving since the sixties, under Herr von Thilmany and Dr. Havenstein. It promptly became

regarding them. But it is known that some of them comprise some hundred thousands of members. They are particularly strong in Westphalia, where they took their birth, and Silesia, both being pronouncedly Roman Catholic provinces. Their organisation is, as observed, essentially that of Raiffeisen societies, but the denominational idea is in them carried to much further lengths. Their professed aim is to maintain and strengthen the peasantry, as a distinct class of society, and to vindicate its rights. But they are very much led by territorial magnates and priests. And in this respect they rather recall the much-talked-of Hungarian co-operative rural societies, in which likewise the ruling magnate is the dominating factor, being supposed to know best what is useful for his patronisingly governed flock. There is also more Church rule in them than in the Raiffeisen societies, but less family and community making. But materially they render very considerable services.

a "section" of "Haas." Prussian Saxony was the native province of Schulze Delitzsch and had drawn in his co-operative teaching almost like mother's milk. All these organisations were now harnessed to Haas' car. This was rendered the easier, since Haas judiciously, from his own point of view, relinquished Raiffeisen's principle of centralisation of command and made "Home rule" the common practice for his provincial sections—which policy was richly effective in bringing forward local capacity, by giving it free scope, stimulating emulation and humouring provincial patriotism. And as time went on, and Berlin could command more effectively outside Prussia, under official pressure, the great Württemberg, and Baden, and Alsatian Unions likewise came to be tacked on to the same triumphal car. In this way the Haas Union, appropriately rechristened the "Imperial Union," grew to its present imposing strength, fully realising, as we have seen during the war, the Emperor's political aim, which was, by ample benefactions in the shape of money, decorations and other favours, to attach the rural population, systematically organised under Junker guidance, firmly to the imperial policy.

Apart from politics, Haas' ruling object in co-operative organisation was financial success. He discarded "ideal" objects, special care for the poor, "man-making," "community-creating" and all that. Pounds, shillings and pence became the one dominant note. Under such governing idea there could not be any scrupulous regard for that "principle" which Raiffeisen religiously placed in the forefront of his programme, and by which he scrupulously held fast. Bulk was what was aimed at. The goal made for was, to bring together under one rule as many adherents as possible. Under the adoption of home rule, the dropping of careful selection of members and the pursuit of purely egotistical aims for every one enlisted, that policy presented no serious difficulties. However, as a necessary consequence principle, the ruling feature of Raiffeisen Co-operation, as Haas had found it, fell into abeyance. The strictness, the oneness, the unity of practice and inherent trustworthiness of the organisations were sacrificed. My very first experience in the study of Haas societies, in 1895, when the Union still scarcely

extended beyond Hesse, was, to visit, within an easy walk of the headquarters of the time, that is, at Offenbach, two credit societies, one of which was excellent, the other extremely bad, indeed a veritable caricature of Co-operation. On my return to Offenbach I remarked upon this to Herr Ihrig, Dr. Haas' second-in-command. He could not deny it. But no more could he do anything to correct the mischief. Haas wanted members and bulk in business. So the bad must be taken along with the good. Herr Ihrig simply shrugged his shoulders. Now that has become a characteristic throughout. Bulk of "business" is the test. There is good and bad intermingled, allowed to grow up side by side.

In the matter of Supply and Production, and all that pertains to them, such as the conversion of raw produce into more marketable commodities, in which business it is bulk which mainly tells, the disregard of principle does not matter much. Bulk there is, and, the movement being handled by admirable organisers, that part of the business goes on swimmingly and successfully.

But we have now to do with Credit. And Credit is in a different position. Credit is a matter in which principle and caution, discrimination and rigorous control, distinctly tell. Undoubtedly the liberal assistance given by the State-endowed Central Bank has at times been found a most valuable help. Indeed, the Union could not have gone on without it. It has tried to do so and has failed. It is dependent upon its German *takavi*. However, this State aid also has its distinctly dark side. It has, in fact, created a sort of peonage, under which Herr Haas himself owned to me that he winced. It took him less than three years to detect the fly in the ointment and find out the truth of Sterne's saying that "All is not gain that is got into the purse." In 1898 he flattered himself that his Union was strong enough to shake off the State yoke. "We have thirty million marks in deposits." So he boasted to me. Alas, that sum—a withdrawable quantity, much of which was in fact soon after withdrawn—was not nearly enough to secure independence. His attempt to rebel only led the State Bank to tighten the reins. And there was Sindbad the Sailor with the Old Man of the Sea still firmly seated upon his back!

Herr Haas' "Union," in its close alliance with the State Bank, accordingly represents the very useful principle of Co-operation turned to account, as its main object, for political purposes. It has helped to create a war party thoroughly loyal to the Kaiser. Unquestionably it has brought benefit also to farmers—however, benefit to a great extent at the cost of other interests; and benefit in the main for moneyed adherents in that calling, with the smaller and poorer men tolerated. Indian co-operators may be truly thankful that their credit societies have been spared a similar degeneration. All in all, in Prussia, the parent country of this peculiar coddling policy, spoon-feeding credit has not proved anything like as successful as it was expected to be. The Schulze Delitzsch Union and the Raiffeisen Union, as has been said, declined submission from the outset. The Peasants' Associations (*Bauernvereine*) were not to be asked. But the Government has tried to attach a number of traders to its cause by offering financial assistance from its State Bank to tradesmen's credit societies, to be formed under Schulze Delitzsch's rules but quite wrongly restricted in respect of membership to one distinct trade each, which condition, among other drawbacks, causes inconvenient alternations of plethora and anæmia, all money being wanted, and in its turn repaid, at the same time. The arrangement has been tried. But after only a brief time the societies so patronised came to be told by one of their own chief leaders, Herr Mager—himself being a Government employee in the matter, that is, an inspector of such societies on behalf of the State Bank—that they would do much better to join the Schulze Delitzsch Union, which would care for them to better effect.

Outside Germany State and magnate coddling has been freely practised in a number of States—with, as appears to me, rather questionable results. In Austria and Hungary Agricultural Credit Co-operation, so far as it is German or Magyar, is all State or magnate patronised and freely subsidised. And its results are inferior to the Co-operation of compatriot Slav races, who have to shift for themselves, but, as Herr Wrabetz, at the head of the German Schulze Delitzsch Union of Austria has pointed out, put much more "back" into their work and evolve not co-operative benefits only, but also co-operative sentiment and practice.

The same thing practically may be said of the Polish Credit and Land Settlement Societies in Prussia, which, relying on their own resources alone, sustain a fair fight well in competition with the State-protected and State-subsidised German Land Settlement Societies by their side. The Slavs generally make admirable co-operators, as we have seen in Russia, once the yoke of absolute government was lifted off them. In Roumania and Bulgaria likewise State assistance reigns supreme. But the results there are not equal to those achieved in Serbia, under a self-reliant system. In Italy State assistance has been applied only where independent initiative appeared hopeless. And its results have not been particularly encouraging. As I have ventured to explain in an Italian paper, it was the wrong medicine to employ in a case of undoubted sickness. The proper medicament to apply would have been tenant right, or at any rate more settled tenure. Tenants are for the most part absolutely at their landlords' mercy. In Italy neither the Raiffeisen nor the Luzzatti movement—which latter is an adaptation of the Schulze Delitzsch movement—receives any State help whatever. And yet both flourish greatly, more particularly the Luzzatti movement, which, by means of its banks, based on the holding of shares by members, renders most substantial services also to Agriculture. The Raiffeisen movement has not inexplicably been for the larger part annexed by "the Church." Its aims being above all things moral, and one may say religious, in a Roman Catholic country influence has almost as a matter of course gravitated to the priest and the Bishop, which latter there presides *ex officio* over each diocesan section. And in Italy the priest stands under the immediate shadow of the Vatican. In Belgium, in the Netherlands, and partly in France, subordination to Rome is still more pronounced, for in the "Catholic" banks there the priest is out and out the dominating factor, and members find themselves under strict ecclesiastical discipline, with a patron saint to each bank, also obligatory masses and confessionals added to their duties, and free masses for their souls after death thrown in as part of their reward. However, in all these countries the societies, denominational as they are, do good work and teach their members self-reliance. Their denominationalism would

probably not be half so strong if there were not the troublesome Socialists to be barred out by such defensive means. The Belgian "Catholic" societies, of the *Boerenbond*—which during the war has by no means restricted its helpful action to its own members only, or even only to pronounced brother "Catholics"—take a distinct pride in their refusal of State aid, which was offered to them, but which they scout as unnecessary.

French State-aided Co-operation deserves a brief word to itself, to be given presently. In general—to wind up this little interlude—it may be remarked: How poor are the results of all this State coddling "with a purpose" in comparison with what free Co-operation has effected under Schulze Delitzsch, Luzzatti, Raiffeisen, and in Belgium, by the free associations, in the Netherlands and in Switzerland—where Governments help to a small extent at points at which help is beneficial and legitimate, and does not injure other interests, but where they do not presume to dictate or interfere—and above all things in Denmark, the country of countries for Agricultural Co-operation, the model from which all other countries have to learn!

To return for a moment to Haas Co-operation, excellent as is its organisation of Supply, Production and the like, in which branches it is above all things numbers and bulk which tell, its organisation of Credit is *generally speaking* not by any means perfect. Naturally enough, under constant reliance upon outside support, such organisation is apt to degenerate. And the loftier aims of Co-operation, in the sense in which that term is now generally accepted among English folk, are altogether wanting. There is no "man-making," no "community-creating," no drawing together of members with bonds of brotherhood, no raising of people to a higher social, intellectual and moral level, as in the Raiffeisen societies. And the management is altogether in the hands of big men—whose interests are not by any means at all points identical with those of the peasant or the raiyat.

Talking of such Credit, I should not wish to be misunderstood. There is excellent Co-operative Credit to be met with in the Haas Union—none better from a mere business point of view—wherever the business is locally,

that is, in the particular province, committed to able and conscientious men governed by co-operative ideas. Thus in Rhineland, under Dr. Havenstein, it is as good as can be, and no misadventures are likely to happen there. Also in the Prussian province of Saxony—which, as observed, has had the benefit of Schulze Delitzsch's teaching for nearly seventy years back. The same may be said of Hanover. But such quality is not uniform in the Union, as you may generally say that it is in the Schulze Delitzsch and in the Raiffeisen Unions, so that membership in either of these Unions may be taken as in itself a sort of voucher for quality—which is worth a good deal when it comes to the task of attracting money. I have already told the story of two closely contiguous banks in Hesse. Since then we have seen how disastrously the fabric set up under Herr Haas' own presidential nose broke down calamitously in 1912, in Hesse, destroying for a while all confidence, and filling Germany with dismay. The Secretary of the Union has of course tried to explain the débâcle away—just as German Ministers of State and German journalists have tried to explain away Germany's authorship of the great war and the defeats of her army and fleet. The legal inquiry instituted tells its own tale. The German papers were full of reports of the proceedings. In truth I foresaw that something of the kind—although not precisely in the shape in which it actually came about—must happen as long before as in 1895, when I first visited Haas' credit societies and examined their system. I found looseness and diversity in it. In the absence of Dr. Haas, I warned Herr Ihrig, the second-in-command in the Union. You cannot take liberties in the matter of Credit. Credit is a delicate plant and wants to be delicately handled. There can be no stretching of points. You *must* have security. And the security must be absolute. You *must* have punctuality. You *must* have a keen sense of responsibility ever kept alive, brought home on the smallest provocation. The idea of Raiffeisen Credit—which the Haasists claim to have made their own—is that you lend, not on the security of possessions already realised, appraisable and recordable in *haiissiyats*—of which Indian Registrars appear in danger of growing just a trifle too fond—but on the security of the borrower's character and the employment.

which he is about to give to the money borrowed. There is a story told of a great contractor, all whose sons and grandsons, so far as they are alive, are now very rich men, one grandson gracing the House of Lords, which points the lesson—whether it be true or not, for which I would not vouch. It is said that he was an employee without means of his own, but known to be endowed with high character and remarkable skill and judgment. He is said to have had a contract offered to him which he saw could be made to yield a handsome profit. He went to some bankers, to whom he was known, to borrow the money. They were aware of both his honesty and his capacity, and when he explained the nature of the contract offered to him, on the security of *the two things*—not one only—the bankers are said to have advanced a considerable sum; and so practically they started our future millionaire in business which led straight on to fortune. What the possibly only imaginary B—— did on a large scale, members of Raiffeisen societies are intended to do on a small, but in millions of cases. It is a question of wealth to be got, not out of wealth, but out of nothing, what M. Luzzatti has called “the capitalisation of honesty.” However, in the Haas societies such principle of lending on the security of the employment designed soon came to be at any rate diluted with easier, but as we have seen—and as I hope we shall never see in India—more risky lending. “Why should we take the trouble to inquire every time what the money is to be borrowed for? That means trouble. We want things made easy for us. Let the man have a current account, an overdraft.” That is what has been openly urged at meetings and in the press—and has been acted upon in practice. We have seen the result in Hesse. But a more demoralising failing still is that constant reliance upon capital coming in from outside. It is that which really brought about the wrecking in Hesse. It led to all sorts of financial manœuvring, which was utterly unsound, rotten as a medlar. There have been criminal proceedings in consequence. The Central Bank, of which Herr Ihrig was Managing Director, became insolvent, but went on doing business. It held plenty of local societies’ money. The rumour of its difficulties got abroad, and its director, a person trusted by all, was asked what

the rumours portended. "Nothing in the world," was his reply; "your money is safe." Now, after that, am I right in urging that local societies should rely upon themselves rather than upon financing central banks—using the latter, but not abusing them?

The evolving of Haas Co-operation out of Raiffeisen Co-operation has, thanks to the generous patronage and liberal protection of the various Governments, given a most animating fillip to German Co-operation in Agriculture generally, and in so doing it has done a great deal of good, although not good without distinct drawbacks to it. But it has also done much mischief. Not only "has it shown how the "soul" of high ideals may be taken out of Co-operation, but also the backbone of self-reliance. It has, as Louis Durand, "the Raiffeisen of France," has put it, "adulterated" Raiffeisenism.

Furthermore, although eventually with the help of Government influence uniting a goodly part of existing Agricultural Co-operation under its own banner, it has in other ways served to split up Co-operation in Germany into aggressively competing camps and forcibly abetted the State-endowed Bank in its Kaiser-like ambition to make itself mistress of the entire country, which ambition led to the great co-operative battle of 1911. That split has gone far towards destroying confidence in Co-operation in parts of the country. Other new unions crumbling off or setting themselves up afresh, the country came to be covered with rival organisations, each of which, touting for itself, made, *more Germanico*, a practice of running down its competitors. The very *modus vivendi* brought about in 1905 by the erst rival Unions of Raiffeisen and Haas—which naturally did not last long—was, as has been owned to me, dictated by a spirit of self-preservation. It was a *mariage de convenance*. There were in the small area of Rhineland at that time no fewer than five distinct unions disputing the ground against one another and telling tales, true or otherwise, against their competitors. Successful propaganda under such circumstances came almost to a standstill. It was to put a stop to this mischief and for their own protection that the two chief Unions—both of which felt the effects of the promiscuous "blackguarding"—decided to come to something like an understanding—

which, however, in consideration of the different aims pursued by the two, never ripened to a heart union. The "Union" then constituted was never more than a "working arrangement." The Raiffeisen Union stood firm upon its ideal aims and independent organisation. In 1883, when he had just seceded from it, Haas openly discarded those ideal aims. In 1905, for the sake of the "arrangement" just spoken of, he contentedly once more swallowed them, "religion" and all, and put them in the forefront of his programme—only to drop them once more very promptly when the "friendly separation" took place in 1912. In a similar way, in 1883, when he stood alone in his weakness, Raiffeisen being the stronger, and Government protection being still only to come, Haas prudently sought support from Schulze Delitzsch—who was then at daggers drawn with Raiffeisen. And, to obtain his countenance, at one of Schulze's Congresses he solemnly pledged himself "never" to accept State aid of any sort. Twelve years later he threw himself body and soul into the arms of the State. In the matter of the holding of shares his inconstancy and indifference to principle have been as conspicuous. He began declaring, with Raiffeisen, shares to be unnecessary. His new ally, Schulze Delitzsch, however, held substantial shares to be essential—as, under his system, undoubtedly they are. Haas accordingly at once adopted the principle of shares in theory. And when, in 1898, financing Government became exacting—while at the same time deposits grew scarce—the cry promptly went up from him that there must henceforth be *large* shares, double, treble or quadruple the old figure. The change of front has not done much good. Some vigorous provincial Committees have indeed been able to insist upon a substantially larger payment in shares. But on the whole shares remain in the Union pretty much as they were. Why? I have asked that question. Why? "Why, there are those plaguy Raiffeisen societies by our side, taking members with small shares—the law does not allow them to form absolutely without—and rendering the same services." There is not much consistency in this.

Operating, as he does, for large agriculturists, as a matter merely of business—which is, of course, quite legitimate—Haas in truth would have done better to insist upon large

shares from the very beginning and drop the pretence of acting still upon Raiffeisen lines, because he is not doing so; and for his better-to-do clientele larger shares obviously are ever so much more advisable. But it was part of the understanding with the Government that he should carry the whole rural public, the voting public, with him. And so he must do what he could to meet the views of the small men who count at the polls, and adopt, in part at least, the Raiffeisen programme, which had grown so popular. However, put the matter to a test! Go to a Congress of either side, and you will see the difference between the two at a glance. At a Raiffeisen Congress you meet mainly peasantry, with a sprinkling of men of superior social position, but without any pretensions assumed on that score. The spirit prevailing is that of freedom and equality. There is not much show; things are simple. But all are in earnest. They are thinking of agricultural improvement, of social betterment, of raised moral status. At a Haas Congress you meet Excellencies and Counts and Barons. All is in frock coat and broadcloth. You sit down in your best clothes to a sumptuous banquet, at which Grand dukes and Ministers of State preside and choice viands and select wines are consumed. There will be a pretentious excursion and very probably fireworks. There will be a dignitary of State in the chair. And all the speakers will be men of position. It is a Congress of Squires, thinking, not of raising the poor peasants of the country, but of making Agriculture more profitable for the wealthy man with his broad acres, by favouring him at the cost of others. For the small cultivator grows none of that produce which is made artificially dear for the big man's benefit. And, further to animate the gathering, there are denunciations of "perfidious John Bull" and "the Frenchman"—Co-operation evidently being held, not to "mean peace," as the democratic Schulze Delitzsch was in the habit of describing it, with full sincerity, but war on surprised Belgium and unprepared France, for the purpose of conquering Belgian and French coalfields, and supplanting England in the world's colonies and markets.

I cannot imagine that it is such kind of Co-operation that is wanted or desired in India. Nor are we likely to think more of the zemindar's millions than of the raiyat's

debts. And we could not afford to put up with questionable financing, the coffers for feeding which have again and again to be replenished from the public exchequer—as the Prussian bank's have had to be by periodical increases of endowment. A collapse of banks, such as has been witnessed in Hesse, would, in India, be fatal to the movement. Therefore, I hold, Indian co-operators will not find themselves badly advised, if they stick to the steeper and more thorny but distinctly safer path of caution and rigid rule, rather than allow themselves to be led astray by the specious parading of precedents upon the slippery ways of easy going.

State help, systematically practised, has taken a different shape in France from what it has done in Germany. Obviously, although German precedents as such may be welcomed in India, they would not on any account go down in France. France must, in appearance at least, paddle its own canoe. However, at bottom the two systems are very much alike, both being governed by a treacherous regard for "politics," which is not precisely an "elevating" principle.

Some thirty years ago the want of Co-operation was a good deal felt among the rural population in France. The comparatively poor—although with all that contented—living among the French peasantry has long been a favourite subject for scoffing and disparagement among the vindicators of the traditional three-storied agricultural system of England, which assumes that better food—in this case purely imaginary, for our peasantry do not have it—will more than compensate homelessness and abject dependence upon others. Twenty-five years ago you might still see the most fertile soil in France, blessed with an ideal climate, lying hardly productive as, to state one instance, I have on my wanderings seen in the far-famed Lauragais, the original "Cockaigne," that is, "land of plenty." Money was wanting, skill was wanting, education was wanting. In 1883 the first French "Agricultural Syndicate" was set up at Blois. It was for supply only. Under the influence of a favouring law passed in the following year, and an active propaganda by landowners—who are for the most part small men—the movement spread rapidly. It gave the French cultivator very much cheaper fertilisers,

feeding-stuffs, seeds and implements, which were accordingly largely purchased and put to use. And that proved a great gain. About the same time a philanthropic timber merchant in the Franche Comté, M. Bouvet, organised a credit society in his parish at Poligny. That society was very much patronised by himself. "It would have been better," so he frankly wrote to me, "if we could have started a genuine Raiffeisen society at once; but our men had not sufficient 'go' in them to do that." He found some money, the entire management expenses, and in addition he guaranteed 4 per cent. on deposits. Even under such circumstances the provision of money had a decidedly stimulating effect upon the peasantry. Money is plentiful in France—in the proverbial "stocking." But it does not readily find its way into use. And owners of it like good interest—more especially the "eleven thousand notaries" who used to do the popular moneylending in the French "mofussils." "You may take my word for it," so said to me the late Fournier de Flaix, who became a noted economist; "for I have been one of them myself." It needed a direct hostile intervention by my friend the late Louis Durand, the founder of the "Union des Caisses Rurales et Ouvrières," who has been styled "the Raiffeisen of France," to make the small capitalists in French country districts understand that the current rate of interest for mortgage loans has come down. For a time—and only for that purpose—he employed deposits in his Raiffeisen societies to a moderate extent in loans on mortgage, till the bourgeois capitalists came down with their scale in harmony with the times.

M. Bouvet having shown the way, the Agricultural Syndicates—which by that time had become fairly numerous, so as to represent adequate strength—actively took the matter up, often in only a very elementary and, in rather too many cases still a decidedly patronising, way. Thus, for instance, Count Lejéas told me that in his society in Aiseray, in Burgundy, he placed securities of his, representing a certain value, unreservedly at the disposal of the society, with authority to pledge them with the banker for the obtainment of credit. He declared himself quite satisfied that he had sufficiently secured himself against loss. Wisely the Syndicates, however, at the

same time constituted themselves also teachers of Agriculture to the peasantry, in which capacity they have, according to the testimony of Lord Reay, late Governor of Bombay, and also Under-secretary of State for India, "accomplished wonders."

As a result of such teaching, accompanied by facilities for credit, the fertile fields of the Lauragais, which I saw unproductive, no longer present themselves under the same saddening aspect—as the Departmental Professor of Agriculture at that time had owned to me "as if we were still living in the time of the old Roman plough"—but bring forth by handfuls. And improvement has been equally active elsewhere. Elementary as were many of the methods of credit adopted, Credit told, and it became appreciated, and in due course improved. The Agricultural Syndicates now hold to Raiffeisen.

However, among the leaders of the Agricultural Syndicates there are a considerable number of "Royalists." They do not actually make their "Royalism" appear in their work, as I can testify, having been a good deal among them and attended many of their Congresses. Nevertheless, Republican Governments considered that they could not be implicitly trusted. People in office have themselves given me that as the ground for Government interference. Evidently the Government held that under all circumstances the rural population—which practically elects the Senate and has, of course, much to say in the election also of the Chamber—should be kept on its own side. Accordingly in 1894 a plan was submitted to the great Agricultural Society of France, which I take credit for having helped to defeat by my criticism at the gathering at which it was brought forward. The Agricultural Syndicates were then already the determining factor in the Agricultural Society. And they voted solid—against the proposal. However, an opportunity more favourable for the Government plan presented itself in 1897, when the Charter of the Bank of France came up for renewal. To provide a bribe for the rural population it was made a condition for the renewal of its Charter that the Bank of France should advance somewhere about two crores of rupees, in the shape of a loan bearing no interest and repayable at the termination of its new Charter (in 1920), and in addition

to contribute as a free gift a certain proportion of its annual profits for a long number of years, by which contributions the entire amount advanced had some twelve years ago increased to six crores ; and by the close of 1917 had grown to more than twelve crores.

The income of the *Crédit Agricole* fund has indeed grown so large that a rearrangement has proved called for. Thanks to the flourishing condition of the Bank of France the annual revenue—to be *given*, unrepayable—has grown from the original 2,742,315 francs to 36,249,852 francs (in 1917). The entire amount paid in by the Bank of France up to the close of 1917 was 220,154,924 francs, of which, in spite of many allurements offered, only 101,142,452 francs had been actually lent out. Accordingly the contribution from the Bank of France is to be lowered.

The organisation adopted for the French *Crédit Agricole* ought to interest people in India, inasmuch as the mechanism chosen is almost identical with that to which some Indian Registrars, desiring to operate through “Central Banks,” now assign the preference. It is “Regional Banks” which are designed to do the business. The money coming from the Bank of France is of course administered by a Board nominated by, and directly responsible to, the Government, on which the official element predominates. And, equally of course, that money goes, not directly to local societies, but to “regional banks,” which in truth form the pivot of the entire system. The “region” of such bank may be a Department or else either more or less. It is generally, I believe, larger than the district assigned to a “Central Bank” in India. At any rate there is a larger population to cater for. The money comes to the “regional banks” free of interest, not only because the Government does not consider itself entitled to charge interest upon what itself receives gratis, but also in order that the “regional banks” may lend it out to local banks at an almost nominal rate—2 to 2½ per cent.—so as to enable them in their turn to hand it over to local borrowers at a very low rate, generally 4 per cent., which is a great improvement upon the 8 and 12 per cent. previously in vogue. All the same, and although Committees of “regional banks” have made light of the scarcely understood obligation to repay—one chairman openly declared that he “did not suppose that the

Government would want the money back"—it took a long time to set this borrowed capital in motion, so long that one Minister of Finance, M. Rouvier, boldly claimed the large unused balance for his general Budget. The difficulty of employing the money has since then grown even more marked. Up to the close of 1917, as already shown, the Bank of France had in all paid into the *Crédit Agricole* the sum of 220,154,924 francs. Of this, in spite of repeated invitations issued to come in and borrow, and new facilities offered and limits extended, only 101,142,452 francs had actually been placed. The local societies are desired to employ all the small amount of their own share capital in purchasing shares in "regional banks," keeping none whatever for themselves, because for every franc so collected the "regional bank" becomes entitled—subject to the approval of the Board above named—to an advance of four francs from the Government fund. The local bank—corresponding to the Indian "primary society"—is accordingly a mere "ledger bank"—keeping ledgers but no money—which is nothing against it, supposing money communications to be easy, which in France they are—seeing that we individuals likewise habitually keep our money at a banker's and make our payments by cheque. But it is felt as a great drawback that it is not the local bank which decides upon an advance, but the "regional bank," which in this way becomes the real lender, the local bank, with its intimate knowledge of its members and their circumstances, being merely allowed to *recommend* such and such application, without having power to determine the grant. Inasmuch as just before the outbreak of the war it was authoritatively announced that the law was to be once more thrown into the melting-pot for recasting, it need scarcely be particularly pointed out that the system has not fully answered expectations. There have been many complaints about its working—complaints on the side of the Government, on the score of banks and their officers not doing their duty; and complaints on the side of the banks, on the score of the Government authorities failing to discharge theirs attentively and impartially. There were at first many and grave complaints about the unfair distribution of Government "manna." That defect appears to have been to a great extent remedied. Next, it was found that in times of dear money, and consequently

heavy borrowings—such as we have passed through—“regional banks” on the system adopted could either not supply all the money asked for, or else were bound to make a dead loss. For the Government advance was not sufficient. And to lend out at 4 per cent. what it had cost 5, 6 and even 7 per cent. to raise in the market was manifestly not good business. Apart from this the main object of the arrangement proved to have been missed. The idea that prompted its introduction was that, with the help of public money, acting as mother’s milk, a network of independent societies, more or less of the Raiffeisen type, would be raised up, relying upon their own resources, charging their members with unlimited liability and collecting large quantities of deposits. As a matter of fact nothing of the sort has happened. The societies, “regional” as well as local, receiving their money so cheap from the official *Crédit Agricole*, did not deem it worth while to make any serious effort of their own. No more would they, for the most part, burden their members with unlimited liability. In one region a millionaire, being philanthropically minded, in default of this, undertook to fill the blank by becoming surety indiscriminately for all the advances made to members.

Now that cannot rank as sound business. However, what went even more against the grain was the very “official” tone imparted—and advisedly imparted—to the whole business, for the reason already stated that there is “politics” in the movement. There was also great remissness in the accumulation of reserve funds. Committeemen declared that with money at all times so freely at their disposal they did not see the object of laying by reserves. Some Committees even went so far as to lend out the money at little if anything more than what they themselves were charged for it, placing reserve out of the question.

The Agricultural Syndicates after some time rebelled against all this. And in 1913 they formally determined at their Congress, held at Nice, to cut themselves loose from the official organisation and organise their own independent system, without Government aid and with their own Central Bank, of which at any rate the seed—it is as yet no more—was at once planted. Generally speaking, the Agricultural Syndicates are in sympathy with the Raiffeisen system, which on the small scale on which it has been

practicable to work under Louis Durand's guidance has answered well in France, in spite of its very ultramontane colouring, which as a matter of course the Republican Government sets its face against and which eventually prompted it to pass a special law excluding most of these societies, registered as they are under an earlier Act, from certain benefits otherwise allowed. Such exclusion, although not attacking any vital interests, nevertheless to some extent acts as a slur upon those societies.

The Co-operative Credit movement led by the Agricultural Syndicates must not be placed in matters of politics on the same par as the monarchical Haas movement. For France, although possessing some wealthy landowners with strongly Royalist traditions, has no Junker class. And the vast majority of its landowners are distinctly small men and Republicans. At the Agricultural Syndicate Congresses you may see the Breton peasant in his broad-brimmed hat, his frieze jacket and his high boots, the Auvergnat, the Limousin, all in their characteristic and often picturesque country dress, mixing freely with the aristocrats of the *ancien régime* on a footing of perfect equality and taking a lively part in the proceedings, expressing their views with full freedom.

In respect of Agricultural Credit we need not, from our present point of view, look any farther. For what else there is is in the main either still only a not very successful adaptation of one or other of the systems here reviewed, or else it is still so much in its infancy that it can scarcely come into account. In Germany and Italy the co-operative organisations not quite correctly spoken of in India as "urban"—being mainly banks of the Schulze Delitzsch and Luzzatti type—have rendered very substantial services also to Agriculture. However, it is more than doubtful whether, in the present stage of development of rural life in India, they could do so there. We want them in England. Their service presupposes *some* capital, familiarity with business, and a rather quick turnover. In them the *baissiyat* is entirely in its place, and cash credit (overdraft) is a decidedly useful institution. But shares growing into substance are a necessity.

It is a mistake altogether to distinguish between "urban" and "rural" societies, as the first Indian Act did, although

as a matter of fact the societies do—and in India must—on the whole divide themselves in that way. That is because the Raiffeisen system presupposes a stable membership, more or less rooted in the soil, with close touch and good knowledge and power of watching and control of one another as a distinctive attribute. These things are to be met with in the country, but rarely in towns. Could you have them in towns the Raiffeisen system would be quite practicable there. Societies of the Schulze Delitzsch type, although the parent stock, are too distinctively German in character and in their conduct of business to make good actual models to serve in other countries—though for organisers of Co-operation they are richly worth studying—on the same ground that in our education we lay the foundation for good mental culture by the study of Greek and Latin as patterns upon which to form our ideas of grammar and syntax. They are so systematically organised, so much attention is in them paid to every detail and every possible conjuncture, that they form a veritable storehouse of economic learning for the intending organiser. And in one point I must confess that I prefer their organisation to that of my esteemed friend M. Luzzatti, which was in substance faithfully enough copied from the older form of Schulze's organisation, now no longer in use under the new German law. M. Luzzatti has a *large* Managing Committee, out of which three *sindaci* are told off to control the daily business. Schulze has a *small* Executive Body—for the most part paid and in daily attendance—composed of only three men, two of whom must by their signature make themselves jointly responsible for every act; and a larger Supervising Council, meeting at moderately long intervals to check what the Executive have done. The burden in Italy upon the unpaid *sindaci* is very heavy. And it appears to me that Schulze's organisation provides more effectively for good supervision and control. Certainly, whatever be the excellence—not to be contested—of M. Luzzatti's *best* banks, there is distinctly more uniformity and evenness of quality in those adopting Schulze's rules, whether in Germany or in Austria. They are to a greater extent all of one piece.

Inventive ingenuity has been active at other points. Fancy schemes have cropped up here and there, often enough

to disappear almost as fast as they came to the surface. In India, where, on new ground, in many respects unlike other grounds, resourcefulness in devising new methods is a distinctive merit, such ingenuity has, perhaps, been busier than elsewhere. That is perfectly right. But when it comes to seeking for precedents in European methods and shaping one's course accordingly, it will be well to discriminate and not lightly to choose what may be showy but is not sound. The mere trade mark "European" is no guarantee of goodness. There is in truth not a bad practice yet invented for which a precedent may not be found and eulogists discovered in Europe.

What has here been said has been put forward with a desire to impress upon intending innovators the caution, that it will be well to look well before leaping; to inquire into the origin and the true object of the methods which may catch their fancy; and to study both the peculiar circumstances attaching to their adoption and the practical effect which they have had before accepting them. There is great virtue, as already observed, in examining whether *maiores recte præcesserunt* or not.

V

THE VILLAGE SOCIETY

THE foundation of all Co-operative Credit is the local, the Village Society. The man to be benefited is the raiyat, the cultivator, on his holding. Therefore the executive organ in the case, the hand to which falls the task of collecting and dealing out the money, must needs be in his own village at his own door. Need and Usury are the enemies to be vanquished. And "Usury cannot be fought otherwise than at close quarters," so says Léon Say. And there is no one to challenge his saying. Co-operation is above all things *decentralisation*—decentralisation of distribution. It centralises, or concentrates, in collection, so as to place its adherents on a level with the richer individuals. But its main office is decentralisation, thinning out the stream of the water collected, sending it in rills over a broad surface, so that irrigation may be perfect and reaching every root to be watered.

To the small man, help must be given in the shape most easily attainable, on the spot, where it is most useful, so that asking for it may involve no serious loss of time or of pains, that it may be given promptly, and subsequently watched over with ease, or it will be of no service. Give us good local service and we shall have good credit. Whatever else is organised is created only to *assist* the local society. The bird coveted wants to be in the hand, not in the bush. Accordingly Co-operation, like charity, will have to begin at a man's own home.

* Apart from this, the governing principle of Co-operation is, to employ a phrase which of late has acquired general currency, "self-determination"—self-determination by the persons engaging in it and to be benefited by it, its own members determining for themselves what responsibility

they will take upon themselves, what they will have and what not, and what they will do and what not.

Attention cannot too frequently be called to the fact that Co-operative Credit does not stand on a par with commercial banking, in which there necessarily are two parties with opposing interests, which interests have in some way to be harmonised and reconciled—a lending party and a borrowing party. In the co-operative society lenders and borrowers are united into one. Hence in it ordinary banking precedents can be of only partial application. From all this it plainly follows that, even on purely economic and financial grounds, the pivot on which Co-operation turns, the foundation upon which it is set up, will have to be the local society.

However, the Co-operative Society is more than a shop. It has more to think of than purely economic and financial aims. It is, indeed, to provide material commodities for those who join in it—in the present case that will be Credit. But it is to do much more besides. People often enough lose sight of this. Nevertheless, whatever be the peculiar form given to Co-operation, in its ultimate aim it always remains the same educating and building-up force, with ideal ends in view. Without such it could not retain its beneficent character, but would become degraded to mere collaboration for egotistical ends, such as leave the persons profiting by it not better, but distinctly worse for its achievements—more selfish, more unneighbourly, less solicitous for their own raising, of no more service to their neighbours or the community.

Co-operation is to be the *educator of the poor*—not merely by the means of a *guru*, paid, it may be, and appointed to teach the children reading, writing and arithmetic, but educating in itself, by bringing persons into closer contact with common objects in view, interested in the same common working, buying, selling—and therefore thinking together. For people who work, buy and sell together are sure also to think and thereby to become educated. The mere common business of itself, conducted on co-operative lines, educates. And one main aim of Co-operation is to train unbusinesslike people to businesslike habits, and to a knowledge of the principles and the conduct of business, in order that they may be enabled to look after and manage

their own affairs and become provident and thrifty, able to calculate in their doings what brings gain and what loss, and, in Mr. Gladstone's sense, to make themselves into "men."*

Now none of all this can be done wholesale, by large centralised organisations with a widely dispersed membership and a directorate having to do only with goods, not with men. Like the dispensation of Credit, such teaching has to begin at the beneficiary's own hearth, within his easiest possible reach. Wherever we look—in England, in the United States, in Canada, in Germany, in Denmark—and whatever the subject may be on which instruction is to be given to the less instructed—I am now referring more particularly to cases of instruction in Agriculture—it is the man of education who can *go up to the person to be instructed*, buttonhole him, and enter into private and familiar conversation with him, without restraint or etiquette, who succeeds best in his educational work. In Germany, where there is no chariness in regard to educational purposes, such as we have sometimes to complain of under the Union Jack, it is the itinerant lecturer who gathers new members into the co-operative fold and makes better cultivators of them. In Canada it is the "county representative," in the United States the "county agent"—the number of which officers is now in both countries being largely increased—who does the teaching (in the service of Agriculture) to best effect. In England we have recently had a Departmental Inquiry upon Agricultural Education. And in that inquiry it came out, in such evidence as that of Mr. Fitzherbert Brockholes, an agriculturist of authority in the generally advanced county of Lancashire, that even there, where knowledge and thought are supposed to be in advance of what they are in the rest of England, it is the instructor who *speaks* to the small husbandman privately, on his own small holding, driving knowledge home by reference to the small husbandman's own work, who achieves the best results. In Sweden, Denmark, Switzerland and parts of Germany, it is the "Control Society," or else "Control Committee" of a more comprehensive Co-operative Society, acting as an adviser in private on all things interesting the small husbandman, which performs such office. In France, by the side of the emissary of the Agricultural Syndicate—

* See p. 107.

whose brother-emissary of a corresponding body is equally busy in Italy—it is the Departmental Director of Agriculture, accessible to all, who renders similar service, instructing in detail and on the spot. And in the Netherlands Agriculture would not willingly forgo the services of the *zuivelconsulent* and the *fokkingconsulent*, appointed and paid by Government as an adviser and controller, who speaks to Tom, Dick and Harry as individuals. Everywhere it is the “mouth to mouth” (στόμα πρὸς στόμα) teacher who makes the greatest impression. Our active missionaries of various creeds, working fruitfully among the aborigines, have doubtless similar tales to tell.

We could not, in India, in view of its enormous extension and its teeming population, hope to provide a staff of qualified teachers ample enough in number to rival those European and American educational agencies. Besides, these men teach Agriculture, and only incidentally, if at all, Co-operation—by precept as by practice. All the more accordingly do we need the educating services of judiciously applied Co-operation in societies—and not for educational purposes only, but for uniting, sympathetically connecting purposes, which promote common interest and strengthen each man’s individual efforts by combining them with the efforts of others. And it is one of the great merits of practical Co-operation that more or less in every shape, but peculiarly so in the shape of the organisation which Raiffeisen gave it, it makes of its members, in M. Luzzatti’s words, *una famiglia onesta e laboriosa* (an honest and industrious family).

Now, knowing all this, and being, so to put it, brought up in an atmosphere of genuine Co-operation, one feels one’s breath just a little taken away on reading the following description of Co-operation “as it should be,” in a textbook offered to Indian readers :

“The correct view of our organisation is that of an Army with its General (the Governor of the Federation), its Staff (the Federation Congress), its Corps Commanders (the Directorates of the Central Banks), its Regimental Colonels (the Committees of the Unions of Primary Societies). Without a plan of campaign, without discipline and without a responsible and guiding head, an army would be nothing but a disorderly mob, futile as a fighting machine. Without

a definite policy, without co-ordination of effort, and without a liberal allowance of unselfishness, our co-operative system would be futile as a machine for the promotion of the economic welfare of the Province."

Why, that is Co-operation turned completely topsy-turvy, a structure inverted, with that put at the top which ought to be at the bottom! It means degrading a great educational and emancipating movement, created to imbue people with principles of self-reliance and teaching them the way to self-help, to a mere distributing agency for assistance from outside, which makes them more dependent than they were before on the thought, the judgment and the money of others! You can never establish sound Co-operation in India on such lines. Even in England the late Lord Winchilsea failed in trying something of the same kind—building, that is, from the top to the bottom—in his ill-fated "National Agricultural Union," which came to grief quickly, losing its shareholders something like a lakh of rupees—whereas Sir Horace Plunkett's movement, built up, about the same time, in a workman-like way, from the bottom to the top, succeeded well and has stood the test of time and become a model for the English-speaking world. A large movement in imitation of it, bearing the same name with the prefix "American," is now in progress in the United States. We smile on hearing the tale of the ancient Greek citizen who had a house to sell, and who, when asked for particulars about it by an intending purchaser, sent him a brick as a sample of the material of which the house was built. But there is not a little sense in such action. For it is only good bricks which will make a good solid house. Lay a firm foundation of sound material, and you will be able to build a house that will stand. The clever rider on the back of a horse can make that animal more useful, put more nimbleness into its limbs, enhance the effect of its strength; but he can never with his mere horsemanship replace the animal's "timber" and muscle. Just the same is the relation between the Central Organisation guiding and the local producing. We may set a temporary roof of boards and tarpaulin above a house in building, to shelter the rising walls from wet and storm—and that is what very likely will have to be done in India, to shelter gradually uprising Co-operative Credit under a temporary roof of

official control and centralised supervision. But in such building it is all along understood that that temporary shelter roof, which could never stand the test of wear and weather long, is simply for temporary use and will in due course be made to give place to a more durable fabric resting, not on the after all only fragile temporary scaffolding, but on good solid brick walls, reared up of sound material, which of itself provides a sure foundation.

Whatever we do, do not let us spoil the chance of Indian Co-operation, greatly needed as it is, by beginning at the wrong end! Aristophanes could in his comedy set up an imaginary city upon "clouds." But we, who propose to build on Earth, shall have to pay regard to the well-ascertained laws of gravitation. It is the good foundation which makes the secure structure. It is the local society, the single brick in the bottom layer, upon which the intended fabric is to rest, which makes the safety of the organisation.

Those upper organisations, which our author quoted has made the master, are in reality designed as the servants of the real working parts. They are, so to speak, the wholesale house which provides the goods for the local dealer, but which can impossibly direct his business.

The Education by Co-operation that we are "after," wonderfully effective as it is when allowed free play, is quite necessarily limited to small, local organisations. In a large society, possibly very ably officered, the very fact of its being so officered destroys its educational potency. There are no pupils there for the fully trained teachers who manage, but do not teach. The member is there not called upon to think for himself. He has the thinking done for him. It is in the *small* society, where simple minds are taught and compelled in a simple way to do the thinking for themselves, to tackle the daily problems, and form their own ambitions and aims, that Co-operation becomes educating. And its educational efficiency under such circumstances is truly remarkable. We see something of this in our British distributive societies. You see very much more in the Co-operative Credit societies among rural folk on the Continent. For Credit is of all the most educative form of Co-operation. So it is in France and in Italy. In Germany a veritable transformation of beef-witted and not over-conscientious *bauers* has been brought about by that

wonderworking agency into a higher class of being—apart from war-time. Universities have their great uses. However, the moral and intellectual standard of a population depends upon its primary schools. And our primary school in Co-operation are our village societies.

The upper parts of the building, which our author quoted has made the master, are, as observed, in reality designed to be the servants of the lower, not to direct, but to facilitate the others' work, which must in any case be the main work accomplished—provide them with the means for doing their business more cheaply or more effectively—just as the Co-operative Wholesale Society in Great Britain was designed to serve the local societies with the supply of goods more cheaply purchased in large quantity. The parallel is indeed not absolutely complete. For there is this difference, which greatly strengthens my point here urged, namely, that, whereas in Supply or Distribution the only point to be taken into account is the creation of bulk—the actual article bought in large quantities being alike in any case—in Credit every single case of decentralised dealing calls for special and separate consideration, so that, although you require "bulk" for the wholesale acquisition of your commodity—which is money—the retail dealing out must throughout stand upon its own merits in each several case. You cannot deal out Credit as you deal out dry goods or hardware, simply deliver across the counter, without asking any questions. On the other hand, in a skilful retailer's hands, who can distinguish between cases, the commodity first purchased in bulk is capable of doing a vastly greater amount of good than the tea and sugar dealt out in a local store.

In India, no doubt, the problem to be dealt with presents special difficulties. Well, *ardua quæ pulchra*. Germany may be said to have proved almost ideal ground for the practice. For Germany is the country in which—barring Switzerland and Denmark,* both of which scarcely stood in need of rural credit societies, their credit wants being already sufficiently provided for—the schoolmaster has for the longest time "been abroad." The educational status of the rural population may be said—at any rate in the districts in which Co-operative Credit was first introduced—

* Denmark has only just begun to organise Co-operative Credit Societies.

to have been fairly passable. In any case there was no difficulty about securing the services of competent chairmen and cashier-secretaries. And there was little illiteracy, if any. Moreover, thanks to the division of the soil—which was not all in the hands of uncultured men—there was more or less everywhere some man of at any rate moderate capitalist value to sponsor the society. And communications were fairly easy. Roads were manageable. Towns were everywhere within reach and readily accessible. Postal communications were good. Add to this that banking was generally undeveloped and therefore co-operative banks came as a godsend.

In India scarcely anything of all this applies. We have the proof in the experience thus far collected. Where 90 per cent. of the male population (99 of the female) are illiterate—as the last census shows—you cannot expect to find men capable of doing the correspondence and keeping accounts in every village—although one late Registrar, who knew his province well, has in a pamphlet published declared the Hindoos endowed with a peculiar natural predisposition for account-keeping. To make up for the want complained of, some Registrars have had recourse to “group secretaries,” not necessarily being members of the several societies for which they acted, and doing the “job” of account-keeping mechanically, without personal interest of their own, for an entire “group” of societies. That, so it should be observed, is not by any means an ideal arrangement. Furthermore, there has been plenty of evidence of insufficient qualification of the *panches*, more especially the *sirpanches*—men who appear in many cases to have thought only of themselves, how they might turn the disposable funds to account for their own use, without very strict regard for the terms of repayment, whereas the bulk of members appear to have been found generally quite unequal to the task which it is essential that they should perform—the task of vigilantly checking the *panches*. Nowhere, so it appears, has it been possible to form that body which every Co-operative Credit society in Germany, France, Italy, Belgium, Austria or Switzerland has found essential for the well-being of the society, that is, a Council of Inspection or Supervision.

Under such conditions it is evident that for a long time to come local societies in India will have to be kept in

a position of tutelage under official "guardians." And desirable as emancipation is, better in all cases is a long tutelage with good results than premature manumission in a state of immaturity.

However, the greater is the need of tutelage and education, the more pronounced is the necessity of the small society being trained to self-management as an educating agency. We are indeed under present circumstances placed in something of a dilemma between two evils. One great hindrance to all the progress that might be desired is that the people of India, for whom Co-operative Credit is intended, do not generally yet understand what is meant by "Co-operative Credit." They have been so used to paternal State care and *takavi* advances that, especially since, after all, money is advanced by the State for the new Credit, and the Credit is administered by officers of the State, this new Credit appears to them only as an old friend with a new face, a matter of advances paternally doled out by the Government, made outwardly conditional, for some undiscernible reason or other, upon the fulfilment of certain forms and duties by the beneficiaries, but not really a self-reliant, self-directed institution. That opinion is all the more likely to be entertained, to the prejudice of the movement, at any rate in the long run, the more clamour there is set up for further State interference in the shape of summary procedure and exemption from civil process. And the interest which it is rightly desired that Revenue and Settlement Officers and other officials should show in the work of societies is likely to confirm such false impression.

It is not only incapacity to keep accounts and to write and read which stands in the way of a wide extension of Co-operative Credit. Disqualification goes farther. The native mind has evidently not yet grasped the true object of the Credit introduced. Now the best way to teach people what their own responsibility, pledged by Co-operation—which is the root principle of the whole institution—means, is, seriously to place them upon it, even though it be at the risk of their incurring a casual loss. You cannot really learn to swim without actually being dropped into the water. A man pulling you along while you float with the help of air-bladders will not teach you. However, the risk so to be run we cannot at present quite expect our men

to face. It might fall too heavily upon those pioneers who would have to bear the loss resulting. And it would be sure to damage the movement and destroy confidence in it if any serious loss were to result. Nevertheless, whatever is done—and we know from what has happened in Egypt that too much befattering, however benevolently it may be intended and exercised, leads to mischief—the lesson first, though not in point of time yet in point of importance, and most necessary to be taught to designed beneficiaries, is that these new institutions are *co-operative* institutions, intended for the good of their members alone, to be eventually managed by those members only, in perfect freedom, under the restraint only of full responsibility; and that, as soon as they will be qualified to carry on the work, the State will have nothing more to do with them in the matter, either for good or for evil, except to see that the precepts of the law are observed and that the statements of accounts published are actuarially correct. And all this is only to be taught in a local society.

Evidently what is wanted on this lowest grade of Organisation is tuition. In Germany that was a comparatively easy matter. There was generally in every village someone capable of giving a lead. Indeed, so comparatively favourable were conditions that Raiffeisen might make bold to tell his disciples that if in any place a suitable chairman were found, and a reliable secretary, the two might begin business forthwith, looking for others to drop in as they went on. That would scarcely do in India. Besides, where is the money to come from? In reality even in Germany things were not done quite in the simple way suggested. Raiffeisen got a little society together, for which he provided some money to start with, by contributing a portion himself and begging the rest from his friends—just as did M. Luzzatti in the case of his firstling bank, at Milan, for which he scraped Rs. 420 together, he himself subscribing Rs. 60, which made him, in his own words, “the Cæsus of the group.” Services rendered, even by the cashier, were of course at the outset entirely gratuitous. Payment of cashier-secretaries, on a very moderate scale, was introduced later. In Italy literate workers were almost as scarce thirty-six years ago as they now are in India. Accordingly at the outset volunteer philanthropists must help. Dr.

Wollemborg, a wealthy man, financed his firstling society at Loreggia with an advance of about Rs. 1,200. For want of someone else to do the work, his brother had to give his services as unsalaried secretary-cashier. At Metzels, in Germany, a place without any wealthy "patron" to assist, I found the pastor leading the society, instructing its members and providing the Rs. 375 required for the acquisition of a share in the Central Bank, which justified its opening a credit account sufficient for its purposes to the little society. The latter, in spite of the poverty of its members, distinctly developed so as to flourish and to do much good.

If members in India can only be made to understand the nature of such society, it is to be anticipated that the defects of incapacity and illiteracy, now so greatly complained of, will soon come to be sufficiently planned away to allow of good progress. A man may be led to learn good business, punctuality in payment and vigilance in checking others, without becoming a scribe and a scholar. Such things, under proper guidance, teach themselves. Italy is not so very much less illiterate than India. And the business understanding of the cultivating class there is very primitive. Yet these people have, without much reading, become very good co-operators and punctual and honest repayers.

People talk of Education. In the Raiffeisen societies of Italy it is made a standing rule that no one is to be admitted as member who cannot at any rate sign his name on the application form for membership with his own hand. And as a consequence you find grandfathers learning to write from their grandchildren. I have seen these men in Italy, simple illiterate peasants. I have been shown their early handwriting in straggling, uncouth, roughly drawn characters. However, these men had learnt to help in managing their society and had done very well for themselves with its assistance. Illiteracy is not necessarily a barrier to judicious management of affairs and I would not have the illiterates who know about their neighbours and know how to lay out rupees despised or crowded out of the management on account of their illiteracy. What in this case I assume that they know is worth more for business purposes than what they do not know.

You learn society management best by helping to manage—as the French proverb says that you become an expert

blacksmith by doing blacksmith's work. It is a large order in India to provide volunteer helpers who will sit at the *panchayet* table and explain matters, to show *panches* how to make entries and to keep correct accounts. And there is also some danger in this, if not quite rightly done. For it tends to prolong tutelage and to undermine the sense of responsibility. Therefore the admonitions addressed by local Governments to their officers to attend in their official capacity, and the right stipulated for them to moot any subject they please at any time, are not above questioning. And the man who, consenting to make the sacrifice, comes only at irregular intervals on flying visits, now and then, just to attend a *panchayet* meeting, will not do half the good that requires to be done. What is wanted is a "guide, philosopher and friend" in the vicinity, to watch over the society, keep in touch with its members, above all with the managing officers, to give his advice here, there and everywhere, without ever becoming dictatorial. Such a man is sure to become a veritable treasure to his society. That being done in skeleton cadres is likely to act as leaven on the immense lump to be impregnated, spreading and diffusing its influence abroad. The mere making of the "co-operative" character of the institution understood in its practical management is about the best education that could be supplied.

The difficulty of account-keeping may be got over. The practice of having balance-sheets sent up to headquarters for examination, which has become a standing and a very prominent feature in Raiffeisen Co-operation, was in the Raiffeisen Union in truth first taken up because local societies were in many cases found not to know how to draw up the balance-sheets for themselves. The practice was retained, because it was found to possess other advantages besides. It constitutes what is called a "super-revision," that is, "super-inspection." But its original object was to get the balance-sheets properly drawn up, so as to afford trustworthy guides for checking, where local managers were not competent to do this. In the Haas Union Dr. Haventstein, a very able man of business and a sound co-operator, in the same Rhineland, adopted a different plan. He formed a separate office section which does nothing but put accounts and balance-sheets into proper form for unripe societies.

It does not audit ; it does not inspect. It simply asks for the materials for the accounts, which it puts into proper shape. And in doing this, it teaches societies after a time to do it for themselves, so that its services are in each case only temporary. In the United States the Federal Department of Agriculture, being keen upon businesslike practice, has adopted a rather different method still with the same object in view, although not as applying specifically to Co-operation. Its operating agency is a distinct section in the Department, known as the "Office of Farm Management," which is there to show cultivators by the light of their accounts, which it frames for them on the strength of information supplied by themselves, which branches of their farming pay and which do not. That is to lead them to farm, not by routine, but "for profit."

All this may be done at headquarters. But the main part of the business, the taking of money, the lending out of the same, the watching over its employment, the enforcement of recovery and the employment of idle balances, can be done only by the society itself, and, having to do it—though it may have to be for a considerable time under tutelage and tuition—will be the very best schooling for its members, the most effective way of teaching them and making them understand what "Co-operative Credit" means.

Under this aspect obviously the placing of too much power and discretion in the hands of what are called "Central Banks" distinctly militates against good co-operative practice. There must be supervision, control, leading-strings. However, those leading-strings ought to be held with a light hand. They do not want to be tightened, as there now appears a disposition to do, but, on the contrary, gradually relaxed so that by being made to think that they are doing things for themselves members may be gradually taught to do so. It will have to be constantly borne in mind that the object of the tuition now given is to produce, not credit so much as *co-operators who will be able to work the credit for themselves.*

Apart from over-interference prejudicing the work of the local society and really unfitting it for its main task, committal of the actual local work to the distant "Central Bank" involves risk, and tends to the intrusion of that very noxious

bane of credit business, mechanical handling by rote and reliance upon (under the circumstances) improper security, such as the possessions catalogued in the *baissiyat*. The *baissiyat* may be a good servant, but it is a bad master. And in a village society it is, as a test of what has been termed "credit worthiness," really out of place. The borrower is to receive his loan because he is known to the managers of his society, who are his neighbours, as an honourable and honest man, who has an outlay in prospect appropriate to his position and promising to repay itself with interest out of its own proceeds. Such questions are not to be determined by the amount of the property that he owns. Nobody also can judge as well either of his character or of his opportunities as his own neighbours. Nobody can keep watch over his mode of life—which, if good, distinctly is an element of security—and even his outlay of the money borrowed, and bring influence to bear upon him for punctual repayment of his kists, as effectually as his neighbours. The distant "Central Bank"—which it is now evidently proposed in more quarters than one to make the "pivot" of the system, the arbiter of Credit—however carefully it may collect local information for the purpose, is at a distinct disadvantage, which necessarily means risk and prejudicial curtailment of the services to be rendered, a retrenching of the flow of business, too meagre a supply of loans. On the other hand, nothing awakens the sense of responsibility so much as practice in such administrative work. Nothing steels to vigilance, to strictness, to careful insistence upon complete fulfilment of duties undertaken better than responsibility for the practice of the economic virtues. I have quoted elsewhere what quite illiterate Italians (who proved good enough co-operators) have said about this, under the operation of unlimited liability, which is the very best stimulus to watchfulness under this aspect. "We are a hundred persons who watch one another like spies (but without any offensiveness; quite the reverse). It is not possible that any one of us should fail in his duty."*

Rome was, proverbially, not built in a day. And it may take a long time to bring up Indian local credit societies to the point here placed before them as a goal to be made

* "Semo in cento che se femo la spia un con l'altro, onde impossibile che nessun faccia un brutta parte."

for. However, that goal should be kept steadily in view and worked up to. If we cannot—which for the moment seems an established fact—have the Raiffeisen and Schulze Delitzsch “Supervising Council,” we shall want to have a substitute, or the society will be wanting in efficiency. The “Central Bank” is no substitute. The local society ought to be made the corner-stone, the guarantee of strength, of the fabric and to be set at work at that which is the most urgent point of the entire problem: the education of its own members.

Now, having postulated the local society as a beginning, we may proceed to its description. The local society, as we all know, ought to be small, and to have a clearly defined, narrowly circumscribed area, without which conditions being fulfilled there could be no close touch nor intimate knowledge of one another, which is the main safeguard in the system adopted under Raiffeisen principles. In India there seems to be at present a disposition to overdo such restriction in respect of size and district, which may become a hindrance to progress. One Registrar has gone so far as to declare that he will not tolerate societies of more than 25 members, and if there should be more people in a village anxious to join, he will insist upon there being correspondingly more societies formed. That is a mistake. Raiffeisen prescribed smallness, not as an advantage in itself, but as an indispensable condition for the attainment of a well-understood end: close touch and intimate mutual knowledge. Otherwise smallness is not a benefit but rather a hindrance. A small society necessarily means small power for work, and proportionally greater expense for necessary outgoings, and a heavier toll upon each member, if any loss by default should occur. It also means greater risk in the event of resignations or deaths, such as we have actually had. For one Registrar only recently reported that in one of the societies in his province out of 25 members no fewer than 23 had been carried away by an epidemic in the course of a year. And having several societies in the village means, apart from a dissipation of force so wasted, possible rivalry, jealousy—it may be even underbidding, such as we have had in Germany, between rival systems. In India, where there are castes, and *patti* divisions besides, it may be necessary, human nature being what it is, to maintain distinct societies

side by side—let us hope not in serious antagonism to one another. But this is an evil to be kept at its lowest possible point, not a feature to be deliberately adopted and made a rule of. I have shown how Raiffeisen and Haas societies existing side by side, although being shoots from the same stock, compete injuriously with one another. Haas co-operators complain that they cannot insist upon fairly large shares, such as their Central Administration recommends, because the Raiffeisen societies, working by their side, considering shares unnecessary, cut theirs down to the minimum insisted upon by a semi-hostile law. Let in the evil of undercutting, and you cannot fail to destroy safeguarding against risk, which is the very first duty incumbent upon Co-operative Credit organisations. “More than one society in one village,” so writes Mr. Chatterjee, who certainly can claim to have experience in practical Co-operative Credit banking, “crystallises party feeling.” All that is really required in the matter of smallness is that there should be sufficient opportunity for supervision and trustworthy knowledge. Raiffeisen’s societies after a time came to discern the mistake that in some places they had made in keeping their local organisations needlessly small. I ventured to point this out to their chiefs more than twenty years ago, and they admitted that there was *quid nimis* in that, and have since permitted societies to form in larger areas, provided that the essential condition of sufficient contiguity is secured. Even at that time both area and membership had already been in a few cases in some measure extended without bad results. I then visited a society located on territory known to me, whose district embraced contiguous portions of three distinct parishes. And one particularly competent man had, as an exceptional case, organised a society extending over no fewer than five parishes, in one of the most populous parts of Saxony. Accordingly : do not overdo smallness !

Whatever be the number of members, it is important that, in the first place, they should be admitted for their moral qualities, as being honest, and, in the second, that wherever liability is unlimited, the society should be assured that each member belongs to that society only. If it should be otherwise, if he should be a member also elsewhere, the measure of the value of the member’s liability must at the

very least become seriously reduced. Being thus based upon the moral worth of its members, their honesty and trustworthiness, societies will above all things have to avoid acting upon the principle of "the more, the merrier," going touting for members, as I have seen it advised by ignorant would-be organisers in England. Members are no doubt necessary ; but worth is indispensable.

The mechanism of the local credit society is simple. In essence it is the same throughout, whatever be the system and whatever the form adopted. The governing idea is that the society and its business are the members' collectively. And the members collectively want to be interested in it as much as is possible. For it is interest which evokes vigilance and creates control, and it is vigilance and active control that above all things are wanted. That alone is a conclusive argument in favour of publicity of proceedings—the publicity, of which Sir Robert Morier insisted upon having the "maximum," as a safeguard of good management. Publicity is of double value where illiteracy has to be contended with. For it distinctly helps to make the illiterate, who may be otherwise useful members, as possessing a knowledge of their neighbours' position, also useful administrators. It is publicity which can make them useful. We know that one great abuse in India is that *panches* keep not only information, but also money, all to themselves. For such abuse publicity is an effective corrective. Even an illiterate member, when he is given a knowledge of the facts, may effectively watch over the *panches* and, even though he can neither write nor read, his self-interest will prod him to do his part by the society.

There must be a *panchayat*, of course, since members collectively cannot transact the current business of the society. The idea is that, since members act in the main collectively, there should be an elective body nominated by the members themselves, from among themselves, to administer the business of the society under their collective authority and general supervision, with an annual rendering of accounts—if not a more frequent one—for all things acting like the "Board" of a Joint-Stock Company giving an account of its stewardship to its shareholders. That "Board" is generally among ourselves spoken of as "Council of Supervision." That is the German term for what in a

joint-stock company we call "Board." And in this application it in truth conveys a very good idea of the duties which in actual practice this body is called upon to perform. As originally conceived, and as actually accepted, both in Germany and in Italy—and in Germany established as a governing principle by the law in force—the Council of Supervision was between one General Meeting of Members and another—the General Meeting being in all things supreme—to act as master of the society, exercising delegated authority on behalf of the collective body of members. It could not, of course, personally transact all the current business of the society. Its size would incapacitate it for that. For it was to be large, in order to exercise the greater authority and to be the less amenable to undue influence from individuals. And it could not be expected to meet with sufficient frequency to deal with the required promptitude with the current wants of the society. Accordingly it must have an Executive Committee under it, such as in India goes by the name of *panchayet*, to take charge of the current business. However, that Committee must in some respects remain under it, subject to its authority and supervision—hence the name which in English I have chosen for it (which is a literal translation of the German)—say, in the same way that a Commander of a Field Force is subject to the authority of the War Office, which must not, indeed, presume to usurp his functions, but which nominates, and may rebuke, reprimand, and in case of need discharge or cashier him.

The Council of Supervision in fact is endowed with precisely the same prerogatives. But in practice it uses the fargoing ones only in very rare and quite exceptional cases. It is of course conceivable that a member of the Executive Committee—a "Director," so to call him—might show himself so criminous and dangerous to the society that the Council might feel called upon, as an emergency measure, to interfere and deprive him of executive power or dismiss him—subject to confirmation by a General Meeting. However, as an actual occurrence that contingency may pretty well be left out of account. The reviewing and supervising functions of the Council, however, are fully in force, and very much valued as a safeguard for members.

From a practical point of view, however, the *panchayet* will always be the administering body in the society, not only the first to attract attention, but also that upon whose action the success or non-success of the society will for the most part depend. That is bound to be so more particularly in India, where there is as yet no Council of Supervision, nor any immediate prospect of such being formed, and the *panchayet* accordingly represents really the whole administrative machinery provided. All the greater will have to be the care with which the members of the *panchayet* are elected. They are trustees for the society, its attorneys, authorised to pledge all its liability, making it answerable for their acts; and in consequence they will have to be chosen with particular scrutiny of qualifications and discrimination, in order that the society, and also the public, may be able to repose adequate confidence in them. There are several dangers to be guarded against. How hazardous under *panchayet* government one-man rule may become, resulting from excessive self-assertion on one side, and correspondingly unmeasured weakness on the other, unhappily we know from experience obtained. Also what "carver's greed" may mean, keeping all the good meat for the man who wields the knife. But there is danger also in want of strictness in seeing the terms of employment and repayment of loans observed. And there is danger in careless acceptance of insufficient security, neglecting to make sure that the sureties' signatures are genuine, in the employment of idle money and in "stretching" of points. The qualities mainly to be looked for will have to be, not superior literacy so much—although that is distinctly desirable—as trustworthiness and common sense.

As a matter of course the *panchayet* will have to meet frequently, or at any rate be able to do so. There is no occasion for the study of punctilious formality in its proceedings. There must be a written record, no doubt, of the *panchayet's* doings, to serve as evidence. But generally speaking the possibility of acting promptly and with perfect freedom as to the qualification of claimants for loans is worth more than all ceremonial observances and red-tape formalism.

As the right number of members to form the Committee Raiffeisen recommended five, which squares well enough

with Indian habits ; however, for small societies, such as some Registrars talk of giving the preference to, this appears to me to be rather larger than need be. In small French rural credit societies three are found quite sufficient. German societies are generally rather larger than either French or Indian. And in them Raiffeisen apprehended that coming down to three—which is the number actually accepted in the Schulze Delitzsch societies, but under distinctly different conditions—might involve danger. As the Treasurer of a British Civil Service Credit Society put it to me—"you can get round three men, but you can't get round a larger number." That really referred to the Council, for which Raiffeisen would have the number to be nine. And his holding so firmly by the two said numbers conclusively shows that he would never have favoured the idea of forming such very small societies as those on which some Indian Registrars appear to have set their hearts, of twenty-five and less—except where no more members are to be got. Societies have begun in Germany with only seven or eight members. But take five Committee men and nine Council men out of twenty or twenty-five, and what remains? Whether three or five, the *panchayet* men ought to act as much as possible in common and be as accessible to applicants and depositors as can be, and as ready to act upon their applications.

The fact that, after nearly seventy years of its existence, the Raiffeisen Union still maintains the figures of respectively five and nine shows that such apportionment has worked satisfactorily. No change in this respect has ever been suggested.

For ministerial purposes the *panchayet* are commonly given the assistance of a Secretary-Cashier, about whose position and duties more will be said presently, but whose services, so it may be remarked at once, it is essential should be kept purely ministerial, no discretion whatever being allowed to him to act of his own motion—or the responsibility will be shifted from the Committee upon him, and he, the intended servant, may easily become the dictator. Also, giving him a voice in the disposal of money must manifestly mean serious danger to people among whom bribery and corruption are not altogether unknown.

Now the first duty of the *Panchayet* will be to study the

promotion of thrift—and that on two distinct grounds. One, of course, is the desirability of accustoming members to habits of thrift, and to keep them to such, and so to train them eventually to a capacity for acquiring property of their own by provident action. Their comparative wealth to be got is to be of their own making, or it will be fleeting and uncertain. The second ground is this, that the society must needs, to be able to do the work proposed for it, acquire funds of its own to operate with. Now this it can do only by the collection of sums to be entrusted to it for keeping on behalf of their owners. The idea so widely prevalent in India and so freely acknowledged, that the society should draw its supplies of cash from outside, and in this way come to the members as an endowed or “financed” institution—like a *takavi*—rests on an entirely false conception and points to as false a goal. That is the idea which prompted the formation of the Agricultural Bank of Egypt, of the French *Crédit Agricole*, and of the German State-endowed Central Bank—all of which have accomplished certain work, indeed, but not the desired good work. The possibility of help from outside there will have to be. We could not do without it. Indeed, one distinct object in our organisation is to provide for it within legitimate limits and in a legitimate way. It gives strength. It is often enough of material assistance at starting. It is an invaluable resource in times of trouble to fall back upon. However, it is really intended only as an emergency help—a crutch, so to put it, not a natural pair of legs. The sheet-anchor of the society's existence, the foundation upon which it will have to be made to rest—if it is to enjoy an enduring existence and do the good that is expected from it—ought, ultimately at any rate, to be its own strength, by reason of its own command of cash or of the equivalent of such in the shape of economically fully justified Credit. Both Raiffeisen and Luzzatti began with borrowed help, lending part of it themselves in their private capacity. However, to both of them the ideal avowedly worked for was a society possessed of so much capital of its own that it would be in a position to dispense with contributions from outside, a rock of financial strength in itself, able to brave the storms and waves of changes and serving as a horn of plenty for the district. Hence the idea of the “Endowment Fund,”

which forms such a striking feature of the Raiffeisen organisation, and of which more will have to be said—which in substance is to be a fund without an owner or a claimant to it, except the community as a whole. There is danger in habitual borrowing from outside, and prolonged dependence on outside support, as we have seen in the case of the Raiffeisen Union consenting, late in the day, to borrow from the Prussian State Bank. M. Durand has gone so far as to speak of money borrowed from outside, whether it be from a Central Bank or from any other source, as a state of being “in hospital,” being on the sick list, in a condition under par, in a state of debility from which it must be the first aim of the society to escape by rousing itself to new vigour and throwing off the yoke of dependence. Now this is obviously going too far. For avowedly it behoves societies, through their Central Bank, so to organise themselves that they may be able to assist one another in case of need, balancing the emptiness of the one by supplies from the over-abundance of the other and drawing upon treasure even beyond their own pale. And even in the local society itself, it is “other people’s money” that is wanted. However, such “other people’s money,” and, on a larger scale, Central Bank or Joint Stock or Debenture-holder’s money, is not to be “given,” but honestly “earned,” “bought” by a return value of recognised liability, purchased as a matter of free bargain and exchange, such as was the loan of three millions which the Bank of England took a few years ago from the Bank of France, not in any way *in forma pauperis*—for its own liability was worth at least as much as that of the Bank of France. It would be well for the prospect of Co-operative Banking if people would give up thinking quite so much of local societies being “financed.” There is an uncanny sound about “financing.” It suggests a state of dependence, such as a co-operative society should not be in, at any rate for long. Its first duty in fact is to think of acquiring sufficient strength of its own to be able to stand upon its own legs.

That consideration it is which invests the collection of deposits with so much importance as the means by which the desired strength is to be gained. All credit business, when traced to its root, consists of collecting money in order to be able to lend it out again. But *our* specific business

also is to help the poor man, by means of his deposits, safely kept for him, and beneficently employed, to raise himself to the status of a capitalist. M. Luzzatti has emphasised this object when calling his credit societies specifically "perfected savings banks." And both the late Lord Avebury, speaking as Sir John Lubbock in the House of Commons, and Sir Edward Brabrook, a late Chief Registrar of Friendly Societies in the United Kingdom, speaking in the Royal Statistical Society, have echoed that pronouncement.

Now in collecting deposits our "strength"—to use a Biblical phrase—is not "to sit still." *A renard endormi rien ne tombe dans la gueule.* The devil of improvidence is too busy sending his tempting emissaries about to decoy people with pies in their pockets away from the path of provident rectitude. German Co-operative Credit societies are accordingly exceedingly active collecting from their members and from others whatever they can, even in dribbles, down to the smallest denomination. In part I may take credit for such development. For, profiting by Herr Haas' avowed anxiety to throw off the State Bank's yoke, I helped to lead him on the right way. At the time of the Boer War, by reason of our calling in our advances made to German banks, money in Germany became alarmingly scarce. The Haas Union had practically only the State Bank to depend upon. For its store of deposits was small. And the State Bank was not a pleasant master to have to deal with in time of trouble. Seeking for a remedy, the Haas Union offered three prizes for the best essays upon the subject of developing Thrift in societies. I competed anonymously, and was fortunate in obtaining a prize, in consequence of which my essay was, as the Secretary of the Union afterwards informed me, circulated among the societies "by the hundred thousand." In my essay I called attention to the most valuable institution of our English "Collecting Banks," humble, unpretentious little bodies that they are, but forming a fair number, which do yeoman's service in the promotion of elementary thrift. Their system is, through their volunteer collectors—for the most part young ladies—to gather up small deposits from working and other poor folk, *at the very time* when they happen to be in funds, say, on pay day, or immediately after, before the devil has had a chance of tempting them to spend

their few pence on finery, or sweets, or drink. Those collectors penetrate everywhere—in the house, the workshop or the field—and will not be put off. And they tell me that they experience practically no difficulty in gaining the poor people's confidence and securing the money, which they carry to the "Collecting Bank." That bank cannot afford to allow any interest upon those deposits. "If it is interest that you are after," so they tell the people, "then take the trouble of carrying your money yourselves to the Savings Bank, which will pay you interest." However, as soon as the account of any one person has reached the figure of £5, say Rs. 75, they hand the amount over in the depositor's name to the Savings Bank, which from that day forward pays interest upon it, and the account so opened is not likely to be closed in a hurry. There is another institution that I at the same time called attention to, which has subsequently answered extremely well in Germany. That is the American invention, then quite new, of what is called the "Home Bank." That "Bank" consists of a strong metal money-box, with a good lock to it, of which the institution which issues it keeps the key. In such "Home Bank" people are invited to deposit odd pieces of money, at home, whenever the spirit moves them. They cannot get the money out again. But periodically they carry the box to the society, which empties it, and credits the owner with the amount taken out. In the United States it is found that on an average such a money-box will collect as much as £20, say Rs. 300, in a twelvemonth. What the figure is in Germany I am not in a position to tell. But people are satisfied with the result. Our British Post Office has quite recently introduced the same receptacle in England by the name of "Home Safe." There is not yet sufficient experience to show how the implement has worked. Of course there were other suggestions as well that other competitors and myself volunteered. Some of them were accepted. A vigorous campaign of inviting and collecting deposits was set in progress, and the face of things came to be changed. The new departure proved entirely and distinctly successful. At this point, as well as elsewhere, in Co-operative Credit business, it is pre-eminently "elbow grease" which is wanted. Whatever precise expedients be resorted to in India—every country as a matter of course

has its own customs and its own peculiar aptitudes, which want to be considered—if a society wants to take much money in deposits, and that is for it both the cheapest and the most dependable source of cash, it will in any case have to lay itself out for exerting itself to that end, spread out its web, as a spider does, so as to catch many flies, rather than wait in its hole for chance flies to come crawling in.

That deposit money, which means to the depositor eventual comparative wealth, growing up as it does gradually into capital, and meanwhile teaching its owner how to husband his pices so as sooner or later to be able to take them out again in the shape of rupees, brings to the society the cash that it needs in the most convenient and the cheapest manner, leaving it master of its own affairs.

However, that money will some day or other have to be paid back. Now, with regard to paying-back conditions there is an utterly false impression widely prevalent. Societies, which first won't take any trouble to get the money, once they have it seem determined not to let it go except at extreme inconvenience to the owner of it, whose dealing with it they study to hedge and fence in with as irksome conditions as they can devise. There must be notice—long notice, the longer the better. What these people appear to forget is that the depositor very naturally has his own views and interests in the matter. He deposits his money as a *saving*, in order that when he wants it he may be able to draw it out again. And the more you tie his deposit up, the less ready will he be to entrust it to you. You will have your condition of notice. But you will be without the deposit. Now I may presume to say that I speak with some knowledge of facts. For in the nineties I made a very searching special study of Savings Bank usages in all the world, the results of which study I embodied in a paper read before the Royal Statistical Society in 1897, entitled "Savings Banks at Home and Abroad." In the course of that study I found that the most successful Savings Banks throughout were those which, whether bargaining for notice or not, as a matter of fact paid without exacting notice or cutting it as short as could be. They experienced no difficulty in paying out, because their cashbox was habitually full. People trusted them, because they liked their paying-out ways. Even generally speaking, then, it

will be seen that it is a mistake to tie up deposits too tightly.

However, this matter has a quite special aspect for co-operative institutions. For, if savings deposits anywhere make what one of the highest authorities on Savings Bank practices, namely the late Mr. Meikle, of the premier Trustee Savings Bank of the world, that is, that of Glasgow, has aptly called "good, lying money," it is so in co-operative societies. Mr. Beatson Bell and Mr. Mitra have both testified how, even in India, beginning only with Co-operation, co-operative societies have been found as holders of deposits to weather the storms of recent crises very much better than even the Post Office Savings Bank. Sir Robert Morier noticed something of the same sort in Germany during the war of 1866. And the reports which have reached us lately in London show that the results of that early war have been more than borne out in the late war. It is quite natural. People do not "run" upon themselves. Their co-operative bank is in effect their own pocket. People do not "run" upon institutions of which they themselves have elected the managers, which managers they keep under their own control. Look at the huge mass of deposits in keeping with the two great Co-operative Wholesale Societies of Great Britain! Mr. Maxwell, the late President, has frankly owned that the reason why the great Scottish Wholesale Society went into Production, erecting for the purpose costly productive workshops, was that it really did not know how otherwise to employ its immense wealth of deposits, which came flowing in. Now that is not an employment of deposits that I should like to recommend in India, at any rate at present. However, as a matter of fact in England and Scotland no harm whatever has resulted. That deposit money has come in "to stay." And it is bearing capital fruit. What in truth is far more important than rigorously hedging in deposits by troublesome hard-and-fast rules about notice is to exercise due solicitude for the good management of societies by *panches*, who will not think only of themselves, under the control of members who, even if they cannot write or read, know what is safe, and watch over the employment given to society money. Once you make the tree good the fruit will prove good also.

However, Co-operative Credit societies should not content themselves with *savings* deposits only. Most of those that I am now thinking of start without, or with only very moderate, share capital. And if they want to have money with which to operate, they will have to try to get all the more in the shape of loan capital. Now the accepted practice is to take such money, provided that it is to be got, from a "Central Bank," which is supposed to be a *deus ex machinâ*, or else an indispensable fairy godmother. However, the "Central Bank," whatever it may have been intended for, was certainly never intended to provide "good, lying money" for the society to operate with permanently. Its purpose is to supply casual needs, grant specific loans "for a temporary purpose," as bankers style it, or else open a cash credit, an overdraft, to be drawn upon as occasion may require, but certainly not to remain idle, but on the contrary to keep very much alive, sending money backwards and forwards, or it will be of no advantage to the "Central Bank." The Central Bank cannot deal out nothing but what practically would be "mortgages." Besides, such borrowing places the local bank in a position of dependence—which is never a satisfactory position to be in. Better try to secure depositors of your own with whom you may make your own bargain in an independent way. The local bank will certainly be stronger if it can obtain the requisite cash upon its own responsibility, to be used in its own way. Such money is to be got in the shape of long-term, fixed deposits, running for a predetermined, more or less lengthened period, during which it is not withdrawable and, being, in consideration of that condition, remunerated with a rather higher rate of interest—the rate of which will rise proportionally with the greater length of time. Such deposits are greatly in vogue in Europe. For their employment in local banks in India the time seems scarcely yet come, although in "Central" and "Provincial" Banks they are probably common and should be useful. We may hope that the time for them will eventually come also for local societies. No doubt the employment of such deposits calls for such knowledge of business as only experience, coupled with judgment, can supply. You do not want more of that interest-consuming debt than you know that you will have employment for. Nor do you want it for longer time than you will need it. But wherever a credit

bank is really in its proper place, wherever, that is, its existence is justified by the business that is brought to it, there is likely to be some ascertainable figure, up to which it will provide a convenient source of supply. And knowledge with regard to both the proper amount and the proper periods for which such deposits are to be sought, as well as the best time for asking for them, should be likely to come by practice in course of time.

And there is another point that wants calling attention to in connection with long-term deposits. There are more or less moneyed people in India, no doubt, who wish the movement well, but who cannot afford the time required for taking an active part in the management of societies. Well, those people may help the movement very effectively—much better than by intermittent and desultory attendance—by making fixed deposits, the holding of which will, of course, secure to them sufficient right of insight into the society's doings to constitute something of a safeguard to their own peculiar interests.

The money having been got together will certainly want to be profitably laid out, so as to earn interest. For it costs such. And such laying out will in the main have to take the shape of advances to members. Only members, of course, are to be dealt with. To manipulate such business is the second task to undertake which the *panchayet* was appointed and, to outside eyes, it is apt to present itself as the more important of the two. Needless to say, it calls for very much more circumspection and judgment than does the mere receipt of deposits; and in the consideration of this business comes out the unquestionable superiority of the handling of the business by a *local* body, as compared with its transaction by an institution at a distance, be it ever so much wealthier and better officered. For the first and most important point to be considered in the work of lending out money is the qualification and character of the intending borrower as a man, and the prospect of the use which he proposes to make of the loan.

Now the question attaching to the value of the man and his qualification for becoming a borrower cannot be judged wholesale, according to a general rule, and regulated by hard-and-fast precept, such as may be laid down by a superior body acting, it may be, at a distance. For obviously

case is likely to differ from case. And that may in one case be perfectly legitimate which in another case is altogether improper. That is why the business cannot, without the risk of making it miss its object, be left to a Central Bank or to any distant authority. Indeed, it is to be feared that, however well intended—of course, only as general rules—even the precepts of the Committee on Co-operation may be, they may, by their almost unavoidable hard-and-fastness and stereotypedness, lead to unlooked-for grating and jarring and mischief. Under the Diomedean necessity of working the matter under tolerably strict Registrars' directions, too much of the hard-and-fast, mechanical and procrustean rule has indeed already found its way into Indian practice. Only, one does not quite see how, in the present stage, that is to be altogether avoided. There is the *baissiyat*, which deflects credit from lending to the man into the way of lending to his property. Now that is as wrong as can be. For it is not the property which is to be lent to and which is to serve as security, but the man with his sureties to back him up. "Real" security, whether in land or in chattels, *may* have to be taken in an exceptional way. But that had much better be done by way of collateral security. Really, mortgage credit is the last thing that a Co-operative Credit bank, as here kept in view, is qualified for. Co-operation *may* provide such credit; but it will have to be in another way. "Real" security is the most inconvenient security for a credit society to hold—it may be fatal, if it has to be foreclosed upon. Lord Sydenham's "golden precept" rules it out even for capitalist banks. "Banking," so it says, "is an easy thing enough, once you know how to distinguish between a bill of exchange and a mortgage."

It has indeed been suggested, in India as elsewhere, that the local *panchayet*, knowing the people concerned and their properties, will be particularly well adapted to act as a mortgage society's agent and adviser. And proposals to effect such collaboration have repeatedly been put forward. They have in every instance been very rightly and very resolutely rejected. The *panchayet* could not afford to pledge its security for the mortgage loan. And without its liability for any loss, what is its advice worth? Just as much as the opinion of a jury in a compensation case brought forward by an individual against a railway company or any

other moneyed corporation. The local man is the *panchayat's* friend—or else its enemy. And in either case the advice given will be biassed and wanting in impartiality. As matters are now constituted, mortgage loans should be let alone as much as possible by Co-operative Credit societies.

But to return to actual schemes for wholesale credit practice. No law on agricultural credit was—apart from its political aspect—more kindly conceived than the French. But we can trace the insuperable difficulties inherent in general precepts from outside the circle of persons themselves interested, in the narrow, purely mechanical restrictions imposed, which, as already observed, would make that credit altogether futile in India, inasmuch as neither advances for the paying off of mahajan's claims or expenses of weddings and *sradhs*—which are what raiyats stand most in need of—could be permitted under that law. And such incapacity for judging attaches to the point of time as much as it does to that of the object. In other applications the hitches may be at different points. But hitches there are bound to be, when so delicate a matter as credit is made to be dispensed under hard-and-fast rules. The coat unmeasured to the body cannot possibly fit.

The governing idea in making advances is that a member, being admitted as such on the ground of his assumed honesty and trustworthiness, should, within the limits of funds available, receive, for any object approved of, as much as will serve to accomplish that purpose, being allowed proper time for repayment—not more, but not less either—out of the proceeds of the employment itself of the money borrowed. Now nobody is really qualified to judge of the fitness of the person, the appropriateness to his position of the object, the amount necessary under the circumstances, and the time to be allowed for repayment, but the member's own neighbours, directly interested in good employment and in full and punctual recovery by their common liability. At the present time the Registrar interferes. But that is not because he is Registrar—not, that is, as a permanent arrangement—but because the society is still in tutelage, and he is the guardian appointed. The time ought to come when the society will be capable, and therefore permitted, to act for itself. A "Central Bank" cannot judge with confidence, any more than can

the Governor-General's Council at Delhi. "*Pour bien juger il faut tout voir*," wrote the famous Lord Chesterfield to his son—it is true in a very different application. And certainly nobody can outside the village itself watch the employment of the loan and the borrower's conduct, and determine whether—under such vicissitudes as climatic conditions cause in India—a delay is justified or not. To refuse a delay when it is genuinely called for would be cruel—besides which it would tend to destroy the entire object of Co-operative Credit, by driving the embarrassed debtor once more perforce into the arms of the temporarily obliging but ultimately relentless mahajan. To allow it when there is no justification for it would be impolitic.

In India the determination of objects to be approved for loans asked for has puzzled Registrars and others interested in the movement not a little—but really, once the principle of Co-operative Credit is understood, much more than there is need for. Are expenses for marriages to be allowed? And expenses for *sradhs*? Is a member to be granted a loan who is still in debt to the mahajan? Or is previous discharge from his liability to that amiable gentleman, who, like St. Martin of Tours, is *bonus in consilio, durus in negotio*, to be rigorously insisted upon? To all these, and to many similar questions, which have provoked a good deal of controversy, the general answer can be neither "Yes" nor "No." The legitimacy of making the advance must in each case depend absolutely upon the circumstances of that case. Take the case of indebtedness to the mahajan. The very object for which the society exists is to get rid of such debts, to make members renounce the mahajan and all his works. How is it to do that by refusing election to the debt-embarrassed applicant, until he has disburdened himself of his debt? Did we wait to draw the sword for Belgium till the Germans had evacuated that country? To deny such a man the advance would be to defeat the object of the society. What we want to know is whether our man's case is a good case; whether the help which we have it in our power to give will be sufficient to get him out of his torturer's toils, however gradually that may be; and whether, that being done, he is likely to keep clear of similar embarrassments; whether the use of the loan will make a freer and better man of him. If that be so, he ought to

have the money. If, on the other hand, we find that our loan will in all probability serve only to stave off an evil day by being employed to pay just one kist, leaving our man in chains, and only feeding the insatiable mahajan, we ought decidedly to say "No." So it is also with the expense for marriages and *sradhs*. If, practically speaking, the expense *has* to be incurred—custom requiring it—we shall do better to let our man have his money, at a cheap rate, provided that we have security for his repaying it, than by a refusal drive him into the arms of the mahajan who is likely to be obliging for the time, but eventually to suck our man dry. Under this aspect that appears to have actually happened what at the outset I foretold would come about. Our man, having previously only the mahajan to depend upon for money, with all his friends eager for a good treat, was reckless, because he was urged to be so. The mahajan saw his opportunity and opened his bag freely. Neighbours urged that the thing should be done lavishly. Now that our man has the society to go to, which scrutinises his case, and advisedly limits its advance, and his fellow-feasters, knowing that in the event of a default they may have to make the deficiency good, discouraging improvidence, has ceased to practise such. Our man has grown careful and less money is spent.

Now that is just as one would wish it to be.

There will be other cases arising as well. Things advance and the standard of life comes to be raised. People are then likely to want advances for household purposes. By all means let them have them, if the case be good. Advances, so it is said, are to be made only for productive purposes. But a penny saved is proverbially a penny got. If an advance will enable a member to save money by a purchase of some necessary article in larger quantity or with money down—to save more than the interest due will amount to—his case must be pronounced good, supposing the advance to be secured. The money will have fructified when it returns, and our man will be the better off. And with him also the country.

However, in all cases we want to be thoroughly sure that loss on our part is well guarded against. There can be no looseness on that point—say, in respect of limitations as regards the number of sureties—which latter will, it is to be

expected, and should, constitute the most common form of security given. For all other forms have their drawbacks. Real security, in other words, a mortgage, is to a credit society, such as is here contemplated, the most insecure security conceivable and should, if taken at all—as it may have to be in exceptional cases—be taken by preference as collateral security. There is the question of title—that is, of the real pledgeability of the pledge given—to consider. Next, there may be depreciation as well as appreciation. Considerable danger and even loss has been experienced from this cause. Foreclosure, in the event of default, is, for a society like that here spoken of, a most inconvenient process, and may lead to the acquisition of a white elephant. Chattel mortgages, as the Americans call them, are as objectionable. There is the “chattel” to seize and preserve without deterioration. The candle may easily cost more than the game. And in hardly any case does pledge credit, whether the pledge be land or chattel, educate. Personal Credit, on the other hand, can scarcely fail to do so. For it brings home responsibility to the borrower, as nothing else will, through his sureties. Of such there should be just as many as are required to make the loan safe. You cannot limit yourself to any particular number. The example of Scotch Cash Credit shows that under good practice sureties must be proportioned to the advance exactly according to their value. The Scotch banks take one, or as many as eleven, perhaps even more. The one standard by which they work is sufficiency. So it must be in a co-operative society. And a thing that wants very much to be impressed upon the attention of newly organised co-operators is, that they must see that the suretyship is genuine, genuinely agreed to by the surety, he being a real person; and explicitly confirmed in cases of renewal. Cases of forged acceptances by real or bogus securities have occurred. It is not necessary, as some Indians stipulate, that the surety enlisted should be a member of the society. It will be quite sufficient to know that he is “good.” If not a member, he will, by his liability engaged, be adding a new outside buttress to the fabric of the society, pledging more money for its liabilities.

Now all these things require a close knowledge of the men to be dealt with. And they also require a great deal of delicacy of treatment. Once the loan is out, it calls for

vigilance and absolute, inexorable strictness in insistence upon compliance with the terms agreed upon. Some Registrars appear a little over-nervous in the matter of renewals. No doubt this is a fault on the right side. For there is distinct danger in uncalled-for renewals. The concession made is very apt to be abused. And from such abuse may spring a bad habit absolutely fatal to any society. However, there will be many legitimate cases for renewal. And better by a great deal will it be in such cases to grant a renewal than to drive the refused debtor into the arms of the mahajan once more. The point is, to make sure that the case is genuine. And liberties must not be taken with the terms laid down, except with the explicit sanction of the *panchayet*—which body in due course will find itself made answerable for what it does. Those paper transactions known as “re-loans” must not be tolerated. No more *benami* loans, which are in truth only frauds committed upon the society. For in the securing of a loan all must be above board. If the society acts according to rule there will be ample security. In the first place, there will be the guarantee implied by the selection of the member as “a good man and true.” In the second, there will be the special inquiry instituted *pro hac vice* into his character, his opportunity and his case. The opportunity must be distinctly promising, and, in addition, the society will have to make sure that the outlay proposed is appropriate to the member’s circumstances and calling. In the third place, there will be the security given by the sureties who, being liable, may be depended upon to watch over the member’s conduct. Beyond that, there is the vigilance required of the *panchayet*, the Council (where there is one), and the members in general, all of whom, being bound in unlimited liability, have an interest in exercising watchfulness.

Now, to return to the point of organisation. In the constitution of the *panchayet* it is advisable to provide for only a partial periodical renewal of the members, not to make all members to go out at the same time, with the possible prospect of an entirely new set coming in. Within the *panchayet*, of course, one-man rule should be altogether “taboo.” The temptation to it is in small societies very great—which is another argument against a policy of deliberate restriction of numbers. But it ruins the society—at any rate from a co-operative point of view.

CO-OPERATION IN INDIA

Even the *panchayet*—although a much smaller body than what for the moment must still remain an altogether problematical superior body, the Council—cannot be expected to undertake all the work that has to be done itself. It has an executive officer allowed to it, the “accountant,” as the Germans call him, the “Secretary-Cashier,” as I have styled him, who is designed to act ministerially for it and execute whatever it may decide. For this reason the Secretary, as I will here call him, as a matter of course plays a very conspicuous part in the business of the society. Then, ought he to be a member of the society or not? If he is, ought he to be a member of the Committee? And ought he to be salaried? A member of the society he ought certainly to be, or he will feel no interest in its doings, nor consider its good to be his own good. That *a limine* shuts out the correctness of having “group secretaries” to “do the job.” A member of the Committee the Secretary is advisedly *not* allowed to be, because his services are intended to be purely ministerial, executive, not directive. Officers’ services are designedly made gratuitous, in the first place, because in Co-operation—more especially poor men’s Co-operation, in which money is sure to be scarce—people are expected to give what they can, what they have got, for the good of the collective community, to obtain with it that which they have not got but want. But another reason is this, that they are to be secured against the danger of being tempted to “stretch a point” in favour of some obtrusively importunate or else some particularly favoured member, which would necessarily be at the cost of the society, whose security would in this way be imperilled. If a Committee man’s berth is worth something in money to him, then a member asking for an advance and having a vote might put it to him in this way: If you do not let me have that loan I shall vote and agitate against your reappointment. There must be no danger of this. Such consideration does not indeed shut out the propriety of allowing some reward to a Secretary-Cashier for his purely clerical and ministerial services, provided that the society can afford to pay such. Such reward will necessarily have to be small, because there are not likely to be large funds available for the purpose. But it does shut out the propriety of the paid officer being a member of the Committee.

which allots the loans, or of the Council which reviews them, and so finding himself called upon to assist in determining the issue of loans. There is too much reason for complaint, as it is, of one-man rule in Indian societies—and not in local societies only, in many of which the *sirpanch* appears to rule the roast entirely in his own way. There are Registrars who complain that in “Central Banks” likewise there is often enough only one man who rules, the other members of the Committee allowing him to do as he pleases—which fact is said to be responsible for many abuses happening. If the Secretary-Cashier of a local society were to have a say in the dispensing of loan money, it is to be feared that he would soon become the dictator of the society, dealing with its money at his own pleasure. And if he were paid in the bargain the door would be opened wide to partiality and, it might be, to venality. The safest plan is to keep the Secretary-Cashier a purely ministerial officer only, having no say whatever in the disposal of money, and only executing the Committee’s behests.

He must be an optimist, indeed, of particularly sanguine temperament, who would argue that in India that checking and controlling of the *panchayet* is not necessary which elsewhere, all over the globe, has from the outset been recognised as an absolute, constraining necessity. The *panchayet*, be it as good as it please, cannot be left uncontrolled. Its very popularity with members, if that exists, is calculated to tempt it upon paths which lead away from the society’s security. And the society’s security must be, like the *salus publica*, the “supreme law.” Therefore all the world over provision has been made for the controlling of the Executive Committee, and that provision has been first applied and most impressively enforced in the society itself.

There is an outside inspection or supervision also upon which in India very rightly great stress is laid. That outside supervision is a German invention, which characteristically took its birth in the most methodical of Co-operative Unions or Federations existing, that of Schulze Delitzsch, as long ago as in 1878. More will have to be said about this in the succeeding chapter, which will be its proper place. It has now found its way into practically *all* Credit Co-operation in Europe, being eventually accepted as a

compulsory rule by the Governments of Germany and Austria—with Italy booked since 1913 to follow. The war has for the time delayed legislation. And such control is everywhere considered of the greatest value. No one who has got it would willingly forgo it. However, no one, as well would allow it to be exercised by officers of the Government. Such mode of supervision is everywhere condemned as not only useless but absolutely deceptive. "Better no supervision at all than Government supervision." This is what M. Luzzatti exclaimed when the question was put to him. That is indeed going a trifle too far. For, supposing that Unions *will not* themselves supervise, there must be some measure of compulsion kept in reserve. As such, and distinctly as a threat of punishment, is the prospect of Government interference in the matter regarded by societies. Government officers lack, generally speaking, and necessarily lack, proper fitness for the task, and could moreover not enforce their ruling as Federation officers can. However, rank the "super-supervision," so to call it, as high as you will, after a long and lively discussion kept up in the Continental Co-operative Press some years ago, everybody was found to agree that supervision carried on *within the society*, by some organ of the society itself, is of *greater value* still and indeed indispensable.

In India, as it happens, such supervision is for the time still impracticable. There seems no doubt about that. The very smallness of the societies, as already observed, for one thing militates against it. For the moment India must, therefore, still depend upon its active Registrars, as controllers, who no doubt do all that they can, to keep societies straight. It may be hoped that some day the time will come when even the sacro-sanctity of the *sirpanch* will no longer stand in the way of his having his work for the society looked into and himself called to account, so that India likewise may take its place among the international phalanx. In any case it will be worth while explaining the method employed elsewhere.

Of course some control and supervision—in truth, very rigid checking—is in a well-constituted credit society expected to be exercised by the great body of members themselves. It is for this reason that that "maximum of

publicity" in the dealings of the society is prescribed, the necessity of which Sir R. Morier particularly insists upon and which, like the admission of oxygen in material things, serves to keep the atmosphere pure and sweet. Those periodical balance-sheets and statements of accounts, which you may see in the office of every rural credit society in Germany or Italy, are not hung there for nothing. Members are to be kept advised of what is going on, what money is lent out, to whom it is lent and so on, in order that they may, as neighbours, check current dealings and, in the event of their scenting mischief, sound a note of warning. There is only one thing connected with the management of a society which must not on any account be disclosed; and that is the names of depositors with the amounts standing to their credit in the savings department. That information is kept sacredly secret. And it has everywhere proved possible to keep it so. But otherwise there is nothing which is not made public within the society to whoever chooses to inquire into it.

However, there is a body charged with more careful controlling as its special duty, with a standing direction to report the results of its vigilant examination to members at their annual General Meeting. That body is the "Council of Supervision" already spoken of. Its authority stands next to that of the General Meeting. It exceeds that of the *panchayet*—though its functions are only supervisory, not administrative. It is to meet regularly, but at longer intervals than the *panchayet*—say, once every three months, as a minimum—and overhaul all that has been done by the *panchayet*. It may audit accounts. However, that is much better left to a skilled accountant, working under its authority, and as being responsible to it. We have in the Co-operative World everywhere come round to the conclusion that, except in very small societies, the work of one skilled accountant is worth a good deal more than that of the two unskilled members of the society which our British Act allows as an alternative. We have in the United Kingdom for this purpose a special class of accountants, fully qualified professional men, but who have made a speciality of co-operative work, which differs in more respects than one from ordinary Joint Stock Company auditing. These men are annually approved by the

Treasury and are found of great service. But auditing, however skilled, is not Inspection. It has regard to actuarial account-keeping. Inspection applies to the use which the *panchayet* has made of its discretionary powers. Situated as it is, with claimants coming to it with requests, from all sides, the *panchayet* wants such a sheltering authority to shield it against improper demands. Neighbourly over-kindness is not, however, the only failing that *panchayets* are liable to. Indeed the catalogue of shortcomings and abuses, such as have actually occurred in India—*panches* abusing their authority, or granting *benami* loans, allowing “re-loans” too freely and “paper transactions,” and all the rest of it—is a long one. None of these abuses could have occurred if there had been a decent Council of Supervision to check what was being done and to report in case of need to the General Meeting.

In Germany the Council of Supervision is always a fairly large one—larger certainly than the *panchayet*—in order that it may appear invested with greater authority. The law prescribes that no member of the Council should be at the same time also a member of the Committee of Management. The reason for this is plain. Nobody is allowed to be a judge in his own cause. Raiffeisen would have nine members in a local bank. In Schulze Delitzsch societies, of course, you come upon larger Councils. But then those societies are likewise themselves larger, and have larger transactions to deal with. In Italy in the Luzzatti societies the Council really is Council and Executive Committee in one, delegating, however, its executive functions, subject to its own authority, to the three *sindaci* selected from among its own members, acting as *panchayet* in respect of current business. In either case the Council stands above the *panchayet*. In France and Belgium a different system prevails. There is no Council there, but there are *Censeurs*—generally three in number, after the Italian example—who exercise no disciplinary power, but have absolutely free access to all the society’s cash, papers, ledgers and whatever else there may be. They are called upon to check, and inquire, and report, point out irregularities and bad practice—and the more searching is their scrutiny, the better pleased are the members. But they leave the action to be taken on such points to the General Meeting.

The Co-operative Credit societies of Germany and Italy stand in quality, generally speaking, so much above the French and Belgian, that on such ground alone one would feel inclined to award the preference to the Italo-German practice. In any case there is everywhere supervision of *some* sort provided for within the society—which on lines of the Vincentian rule appears to argue in favour of its indispensableness—and in any case no Co-operative Credit movement in which such provision has been made would now willingly go without it, whatever be the supervision by a higher authority set above it. Therefore one would hope that in India likewise the time may come when societies will no longer be as diminutive as they are now and when, with the increase of the number of their members and of the bulk of their business, the difficulties will vanish which now stand in the way of its doing as others do with good effect.

The money having been raised, lent out and recovered, it is to be assumed that there will be a balance remaining over from accrued interest. In early years, and in years of some calamity or else of little business, it may be otherwise. There may be a deficiency. An occasional deficit is regrettable, but it should not necessarily frighten people. Business is at the outset an uncertain factor, and there must be outgoings. The society was not formed for one year only. The business may require building up.

The question of how to deal with the surplus, and also with the several sections of business which determine its accruing or its failure to result, evidently are questions too big, and involving too much general liability of all members, to be suited for determination by either the *panchayet* or the Council—supposing such to exist—or yet by the “Central Bank”; nor can they be satisfactorily settled by standing regulations decreed by Government. There is too much need of “elasticity”—the “elasticity” upon the necessity of which Sir Denzil Ibbetson rightly dwelt—in them to admit of such once-for-all regulating. And there is liability involved in them which will fall upon members, and which accordingly only members themselves are competent to deal with—once they have arrived at a state of maturity. They are questions for the General Meeting. Not unnaturally have there, in what may be termed the

very patent "infancy" of the societies, been some attempts at dictation from "above." That was scarcely avoidable. You cannot leave a child to its own devices, with a razor in its hand. In its precepts the Government appears to have followed the suggestions of the "Committee on Co-operation," which in respect of these points are not altogether above criticism. All this must be regarded as a temporary "go-cart" only, as a "go-cart" in which the child is to be taught to walk under restraint, which would limit its walking power if such were fully developed, but which is applied with a view to methodising the action of members and to developing their power. There is, in truth, nothing to be gained by habitual interference by the Government. The law does well to prescribe that in societies not based upon shares the Reserve Fund, whatever it be, shall be the indivisible property of the collective number of members, not to be shared out, and that a liberal contribution shall be made to reserve every year as a first charge on all surplus—say, 25 per cent. as a minimum up to a certain point.

There are a whole number of questions coming under this head to be considered. The rate of interest severally to be charged on advances and to be allowed on deposits is one. Next there is the question of the maximum of credit to be allowed without special appeal for sanction to the General Meeting, to any one member, and to borrowers collectively. That has nothing to do with the point of security for loans. The necessity for security imposes itself. There *must* be security. But there must also be a limit to risk for members, who are, by fixing such maximum, limiting their own otherwise unlimited liability. On the other hand, it does not mean that with the consent of the General Meeting that limit, which is, at the General Meeting's pleasure, a variable quantity, may not in specific cases be raised. Again, there is the question of surplus, how it is to be employed, how much of it is to be treated as Reserve Fund and accordingly kept "fluid," and how much is to be dealt with otherwise.

Let us take the point of the two rates of interest first. For on them will it depend whether the society is able to make both ends meet with, maybe, something over, or not.

The rate of interest will, naturally, have to be regulated

by the flow of business. Naturally, however, also, in a country like India, in which custom has since a long time settled the current terms for both loan and deposit interest, there will be good ground for adhering as much as is possible to that popular scale. However, you cannot say, once for all, that a co-operative bank should not lend at more than such a rate, nor allow less than so much on deposits, because you do not know in advance what amount of business it will have. It must keep its business self-supporting. And as a reward for custom, if its rates should by any chance be temporarily less favourable than the ordinary rate, it has more to offer than merely cheap money—which cheap money must none the less remain its steadily pursued aim. It promises its customers an institution of *their own*, in which they need not beg for loans, but have a right to claim them—an institution which will endure, and which, also, will prove useful to them in more ways than one. As has been already explained, some societies, even though composed of very poor people, have found it advisable for a time rather to keep above the necessary minimum footing of interest for loans, for the sake of earning what will more rapidly build up a decent Reserve Fund. On the other hand, you cannot accept a fat surplus in itself as a proof of good management. Rather does that surplus indicate that you may have been charging too much for advances and will have to come down with your rate. Your ideal aim is—in contrast with what obtains in the case of moneylenders—the highest possible rate for deposits, and the lowest for advances. For borrowing is to be made cheap, and depositing attractive. However, the coat must somehow be made to fit. Consequently it will have to be considered what the cloth will permit.

The maximum fixed for advances to be made, either per individual, or per society—which is a figure that may be at any time either raised or lowered by vote of the General Meeting, but a figure which certainly wants to be fixed—is designed, as has been said, as a safeguard against excessive risk. There is no other question of principle involved in it.

One main point for the consideration of the General Meeting, of course, will be the employment of the surplus. Now with regard to this matter the road to be followed appears to be very clearly marked out, more particularly

with respect to societies without or with only very moderate share capital. Where there are no shares evidently there can also be no dividend either. And where there are shares, such will be entitled, as already insisted upon, to nothing but the bare current rate of "hire" for money. Accordingly any payment out of surplus, if such be decided upon, should go, not to capital, but to "business." There can be no fixed rule. But there is one rule which certainly should be "fixed," and stanchly held by, and that is, that the first claim on surplus, even though it should be to the exclusion of other claims, in all cases must be the claim of the Reserve Fund. A Reserve Fund is an inexorable necessity. You *must* have it. And the larger it is, the better will you fare. You can never have too much. In early days it will need especial nursing, such as may call for some sacrifice. But you cannot stint it. This is the rock upon which, according to the parable, you may with confidence set up your house. In a Raiffeisen society the Reserve Fund must be indivisible. In societies of other types that is not indispensable. But it had better be so. For it will impart additional value to the liability, upon which you propose to borrow, therefore invigorate your credit and at the same time serve to keep members in your society. You cannot well say that the regulation contribution of 25 per cent. per annum is to be made up to the time only when the Reserve Fund will have reached such or such a figure in proportion to your share capital. For the claims which the Reserve Fund is there to meet are not those of the share capital but of the existing liabilities. If a measure were to be rightly applied, that measure accordingly would have to be, not the amount of the share capital but the amount of the liabilities. Limiting the Reserve Fund by the standard of share capital is likely to lead you to follow the practices of Joint Stock Companies, which are in a totally different position, being based upon capital, whereas your society is based upon business. There are plenty of co-operative banks which have reserve funds very much larger than their share capital. And they are all the stronger for it and command a better credit.

Now, just the same as in some other respects, in the matter of reserve funds, Co-operative Credit societies find themselves in a distinctly different position from Joint

Stock Companies. In a Joint Stock Company the Reserve Fund is a fund out of which to meet occasional deficiencies of various kinds, as they occur. The same need of course the Reserve Fund of a Co-operative Society is intended to, and must be kept up at a sufficiency to meet. However, it is to do more besides. And that point must not be left out of account. So far as a Reserve Fund is designed to serve the purpose indicated, as an ordinary Reserve Fund—no matter in how many separate compartments it may be split up, to answer this or that or the other call—it wants to be kept fairly what is called “fluid”—that means, in a state readily realisable, convertible into cash. That is, by the way, not scrupulously done in all Joint Stock Companies. Many enough of them, contrary to a well-recognised rule, employ their Reserve Funds in their business. A Co-operative Credit society should not do so. One is glad to see attention paid in India to this aspect of the question—for instance in Bombay—the Reserve Fund being apportioned in different sections to this, that and the other distinct risk, and “fluidity” being insisted upon. At the same time it must also be insisted upon that “fluidity” is not a point upon which Government can lay down an immutable, Medo-Persian rule. In different cases, under different circumstances, there will be calls for different degrees of “fluidity.” And to lay down a hard-and-fast rule is to make that stiff and “wooden” which ought to be elastic and pliable. Procrustes is not an ideal adviser on matters of business.

However, the Fund to be laid by out of surplus is in a Co-operative Credit society not all earmarked for “Reserve” in the sense indicated. There is no dividend—not even necessarily upon “business.” But there is, or ought to be, what in other businesses goes to dividend. And that is advisedly intended and designed to go into working capital. Eventually at all events. But who is to say—otherwise than the members of the society itself in each case—*when* that “eventually” is to begin? Raiffeisen indeed thought more of his “Endowment Fund”—*Stiftungsfonds* or *Ver-einsvermögen*, as he termed it; and the latter term correctly expressed his meaning; it is “property of the society”—than he did of his “Reserve” in the accepted sense of the word, although never disputing that a Reserve Fund sufficient

for current purposes there must be. That was supposed to be self-evident. However, in a society without capital necessarily provision must be made for the creation of capital—capital to work with. And just as Distributive societies raise their capital, which our British Wholesale societies—and plenty besides—are there to show, may become exceedingly important, out of their business, so the Raiffeisen society was to create its own capital likewise out of business—business of a different sort but business all the same. One part of the annual surplus certainly was intended from the very beginning to grow into capital—capital for working purposes. It was in course of time to replace the borrowed capital, which of course every credit society is compelled to operate with so long as it has not capital of its own sufficient to answer its purposes. The ultimate destination of the surplus so accruing was to serve as, let me say, unappropriated capital for the collective community, which, likewise, in the hope of the founder of the system, was ultimately to embrace all dwellers in the locality, all having been gradually converted into persons deserving of election, as good men and true. Here they were to find the means of relief in trouble, the supply of cash for any work to be undertaken. M. Luzzatti, though not giving effect to the same idea in the same way, avowedly no less earnestly fixed his hopes on such attainment—a fund collectively owned, collected out of the surplus funds resulting from, in themselves fruitful, transactions, the “blessing left behind” by other blessings, a Fortunatus’ purse gathered up imperceptibly by those for whose benefit it was intended.

That is the ideal. To what extent it may be attainable, the event must show. It does not for the moment appear within a measurable reach of attainment. However, the substantial “Endowment Funds” gathered together in some German societies—where by reason of the easy saleableness of property in land, freely taken advantage of in rural credit societies, there is a wide scope for the collection of surplus—show that it is not altogether a vision of dreamland. How much good such a fund, when collected and carefully administered, might accomplish, it needs no visionary’s eye to discern. There would be money practically for everything—for economy at home, for improved agriculture, improved small industry, improved everything. So far as

the Cornucopia owned in common would hold out, there would indeed be "honesty capitalised," which is M. Luzzatti's favourite expression, money, with the help of which the poor could earn and build himself homes. What would that not mean for our villages!

With regard to this particular point one Indian writer—himself a very active worker in the cause of Co-operative Credit—has strangely misunderstood something that he reports me to have written. He will have it that I have laid it down that, such a state of things being achieved, there will be no further occasion to practise thrift. That is a great mistake. Grow the society as rich as it pleases, for thrift among individual members there will always remain scope and, indeed, a necessity. A rich society does not of itself make every member individually rich. It affords him means for becoming so. But it is only his own thrift which can raise him to that point. And in India raiyat folk have still a long way to climb up before they reach that pinnacle. The object of the collective property belonging to the society is not to suppress or discourage thrift, but on the contrary to stimulate it by making it more effective. There is plenty of scope for thrift and probably always will be. It is some seventy years since Raiffeisen conceived the idea of his indivisible "Endowment Fund." His idea has been carried out conscientiously and steadily in thousands of societies, doing well. Large sums have accumulated in the "Funds." But the need of thrift remains, practically speaking, as great as ever. If old requirements have been satisfied, new ones have grown up. What was considered a luxury a generation or two ago is now looked upon as a necessary. What outlay in agriculture or business used to be regarded as much too costly to be applied is now practised as a matter of course. New times produce new wants. And the poor, so we have good authority for saying, we shall always have with us. Do not, while we are sowing the seed, form apprehensions of the harvest growing excessive!

The "Endowment Fund" is, as observed, "eventually." to replace borrowed capital, to serve itself as working capital. Then who is to say that such part of it as already exists is not *pro tanto* to be employed now in the manner designed? Provided that you have a Reserve Fund sufficient

to answer practical requirements, why are you to lay out part of your property in securities paying a low rate of interest, when you yourself have to borrow for your business purposes at a higher rate? That is what some French "Regional Banks" were driven to doing during the great crisis of a few years ago, when bank rate in France went up to 7 per cent., but they were still bound under the Act to make advances to local societies at 2 or 2½ per cent. And they winced under it. We tried the same thing in England more than a hundred years ago, when we started Pitt's "Old Sinking Fund," which was by means of compound interest earned at a low rate to extinguish the National Debt, for which we had at the same time to borrow at a high rate. We, too, found out our mistake—and put an end to it.

In the early days of a society there will be no occasion to separate one half of the surplus fund from the other. It will all be labelled "Reserve Fund" and all practically be "Reserve Fund." Nevertheless, from the very first it will be very well to accept Oliver Goldsmith's bedstead-chest-of-drawers' motto, "contrived a double debt to pay," and bear the two destinations in mind. As time goes on it may be advisable—since the question of the two destinations has been raised—to separate "Capital" from "Reserve" and to treat each half by itself—being comparatively niggardly in the apportionments to this particular "Capital." Obviously it would be unwise to reduce "Reserve" for the benefit of "Capital." As manifestly unwise, on the other hand, would it be to starve "Capital," for the sake of an unnecessarily inflated "Reserve."

What societies in India want to do, so it seems to me—and the Report of the "Committee on Co-operation" affords them no help towards this—is to determine how much of the surplus they will maintain as "Reserve Fund" and how much they will treat as "Endowment Fund"—standing practically as a second reserve, just the same as in German Raiffeisen societies "Endowment" as "Capital" is liable to be made answerable in extreme cases for deficiencies occurring. Such cases indeed ought never to occur. Should they all the same occur, in them obviously "fluidity" would not be of the same urgency as in ordinary cases. In respect of Reserve Fund proper co-operative societies want to be guided by the same principles which

guide all other business institutions. That is, they will have to regulate its "fluidity" according to their own circumstances, which are likely to differ as between society and society, but which may, in the case of each society, be approximately enough ascertained.

Enough has, so I hope, been said to show that in a well-ordered system of Co-operative Organisation, the local village society is very much more than that purely distributing station for large societies, to the position of which, by reason of the unripeness of the members who compose it, some co-operative organisers in India appear disposed to degrade it; that, indeed, it is the most essential part of the entire organisation, the object of which is, not directly to distribute money, but to make the distribution of money by effective means of self-help possible—the only part to educate and the part upon the good constitution and management of which the security and therefore the well-being and success of the entire movement primarily depends.

A leader is nothing without his army. We have a proverb which says: "Take care of your pence and your pounds will take care of themselves." Take care, then, of your local societies, and your "Central Banks"—which are most useful institutions enough without encroaching upon other institutions' domain—may be trusted to take care likewise of themselves. The making of the Co-operative Movement rests with the local societies. The Co-operative Machine, so to call it, to be worth anything, wants to be an animate machine, composed of live parts, instinct with consciousness, lending themselves knowingly, of free will, and with an understanding of what they are there for, and what they are doing, to the work that they are called upon to perform, every spring, every wheel moving, not mechanically, but deliberately with judgment and a knowledge of its work. It is the perfected, well-finished parts which make the effective machine. And the only workshop for the manufacture of such parts is the local society, in which the units which are eventually to grow up into a huge mass are trained and have their habits and characters formed in detail. A movement organised in groups as the essential feature may provide Credit, but it will not provide Education; it may provide the form of "Co-operation," but not the "Co-operators," upon whose "Co-operativeness"

the success of "Co-operators" must depend; it will not provide that general mutual assistance which alone can make rural society to thrive—especially, one would think, in India. And it is by itself apt to prejudice even Credit, because like the proverbial *prætor*, it cannot *curare de minimis*, trouble about those small points, upon which in "detail business" everything depends. Accordingly my advice to Indian co-operators would be : Do not neglect Union, but think first and above all of your local societies, perfect them, put real life, a real sense of responsibility, real self-determination into them ! It is the child which is the father of the man ; it is the society which is the maker of the movement.

VI.

JOINING FORCES

INDIVIDUALS having joined forces in their several societies, the idea of joining forces also on a larger scale, that is, among societies, as a matter of course presented itself to the minds of practical co-operators even before M. Luzzatti had coined his happy and apt phrase : *Independenti sempre, isolati mai*, that is : Study to be ever independent, but never isolated ! It was so obvious that if Co-operation among individuals is useful, as producing strength out of weakness, Co-operation among societies must be no less effective as a strengthening link.

It was the Germans, as usual, who in this matter led the way. Just ten years before our British "Co-operative Union" was formed at Manchester, that is, in 1858, Schulze Delitzsch presided over a Congress held at Weimar at which a "General Union" of societies adopting his principles was constituted. That was the object for which the Congress had been convened.

That Weimar Congress was rather a memorable occurrence in the history of Co-operation. It brought the rival forces of State action and independent initiative rather strikingly into juxtaposition. Germany was at that time still full of "Particularism." It was divided into nearly forty "independent and sovereign" States, most of which were at loggerheads among themselves—what has subsequently become the dominating State being the most generally hated of all, but intent upon maintaining the absolute rule of its Government. Saxon would not work together with Prussian, nor Hessian with Bavarian. The very word, "union" was tabooed. And one of the Prussian Government's special grievances against Schulze Delitzsch was that, besides being a pronounced Liberal, labouring for the obtainment for his

country of a "British Constitution," he was—together with the brother of our Prince Consort, the Duke of Saxe-Coburg, who stood at the head of the "Unity League"—a champion of "German Unity." Ten years previously had seen Germany ablaze in plain revolution, crying out for that constitutional Government which, in the hour of peril, in 1813, its Sovereigns had solemnly promised to their peoples. The air was still full of Liberal aspirations. The country was as different as could be from what we see it now. Three years later saw a "Constitutional conflict," in full swing in Prussia, which all but drove King William I. from his throne. But for Bismarck stepping in opportunely with his promise of a policy of "blood and iron," he would have abdicated. To be a "Liberal" was among the ruling class considered equivalent to being a traitor. The accepted doctrine was that of the "limited understanding of subjects" and committal of all initiative to the all-wise Crown. And here were private subjects actually presuming to club together under the banner of "Self-help," standing up for the principle of "Self-determination"—blessed word that it has now become in German terminology! The Congress was to have been held at Dresden. However, Berlin, which was all-powerful in that quarter (having in 1849, when Saxony rose in revolution, saved the Throne for the dynasty which in 1866 it was ready to eject) having put in its veto, King John helplessly resigned himself to Prussia's ruling. There was a place of refuge happily to be found among the Thuringian duchies, which have always shown a little leaning to Liberalism. And the Grand Duke permitted the meeting in his capital and gave the Congressists a hearty welcome.

The aim which the founders of that first of all "Co-operative Unions"—or "Federations"—proclaimed was a totally different one from that which now seems uppermost in the minds of Indians seeking after "Union" and which has led to collective financial organisation in "Central Banks," "Guaranteeing Unions" and the like. German co-operators were thinking of an altogether different thing. But it was precisely the same thing that our British co-operators were in quest of when, ten years later, in 1868, at Manchester, they constituted their own "Co-operative Union"—which has lately in great triumph celebrated its fifty years' jubilee, as having achieved a quite phenomenal

and unique success. There was no idea of common finance prompting the new departure in either country, although in Germany the great majority by far of the societies joining were credit societies. But there was a strong and general desire for *unity in principles and practice*, for a union of forces to produce *moral influence and discipline*, and the preparation of a common code. Schulze Delitzsch had all his life been, like M. Luzzatti and like his own successor in office of the present day, Dr. Crüger—whom his adversary Dr. Heiligenstadt, President of the State-endowed Central Bank of Prussia, has privately described to me as “out-and-out the best co-operator in Germany, only unfortunately sadly deficient in knowledge of Agriculture”—a decided decentraliser. “Decentralisation of Credit” was the guiding, the rallying note which M. Luzzatti struck up—with remarkable effect as a young man of only twenty-two—when in 1863 he first entered upon the public scene as a social and economic reformer. “Decentralisation in the distribution of Credit” has been the “leitmotiv” in all Co-operative Credit action which thus far has succeeded as a richly wealth-producing, and at the same time educating and character-forming, force. A decentraliser of distribution and imposer of individual responsibility Schulze, like M. Luzzatti, remained to his dying day. And in matters of finance his successors remained so after him. The majority of them do not even yet care about having “Central Banks” for themselves, though they have an understanding with a great Joint Stock Bank, which understanding works exceedingly well for the “tapping of the general market” when necessary, and the lodging of surplus deposits. In truth, their local banks, working with abundant capital, gradually accumulated, and ample deposits and a rapidly moving business, scarcely stand in need of such central organisations for finance, being ordinarily strong enough to make any requisite arrangements individually with other financial institutions, off their own bat.

Nevertheless, the fact that even in Schulze’s own Union the societies of two provinces have found it a distinct convenience to possess their own central institutions, which facilitate business, and that the admirable Polish societies formed scrupulously upon Schulze’s pattern—although not joining his “Union” on nationalist grounds—find a

veritable tower of strength in their own "Central Bank," clearly enough indicates that even among societies so constituted a Central Bank may be a distinct benefit.

The Polish co-operative banks, by the way, carrying on business for Poles in the Polish provinces of the kingdom of Prussia, may be held to deserve a word of parenthetical mention, just to show what in the matter of Co-operation firm resolution, loyal standing together and strenuous action will accomplish.

The Poles have been in Prussia distinctly an oppressed race, which had no favour whatever to look for from Government. Rather did Government use its power at all points very effectively and not overscrupulously against that Slav nation—as, for instance, in the matter of land settlement, aiming thereby at the displacement of Polish landowners by German peasants. That work has been going on since 1886, and has absorbed enormous sums of money, without attaining anything like its desired end. Against this aggression the Poles have operated in a non-combatant way, relying upon their own purely constructive efforts, which bring the power of Co-operative Credit banking into bold relief. And within the limits of what is practicable they have proved altogether successful. Of course in this matter of land settlement, which requires money for very long investment, there must be financial assistance from outside. Co-operators cannot out of their own resources raise all that is needed. The Government has in spite of itself afforded some valuable help—obtained in a moment of administrative somnolence—of which Polish societies have been permitted to avail themselves—through the public *Rentenbank*, an institution which advances for the said purpose three-fourths of the purchase price of land and buildings in the case of approved societies in the shape of guaranteed landbonds. However, even so there remains money to be provided. And in many, many cases that remaining fourth proves a sore crux to the acquirer. To overcome that hindrance Polish credit societies afford relief, granting, to approved borrowers, money up to the full amount required, as a matter of personal credit. However, even that taxes their resources. And they need a strong Central Bank, capable of attracting ample deposits and tapping the general market, to assist them. Their Land Settlement Societies, I may say, having

inspected them myself, have proved distinctly successful, and a great benefit to the Polish population, as entirely independent, co-operatively conceived and co-operatively managed institutions. The first so formed, at Pinshin, was wound up a decade or two ago, having wholly achieved its object, with an absolutely clean balance-sheet. The Polish Central Bank is of what Indians term the "mixed" type—that is, it was started, in the main, with private capital, subscribed by individual shareholders, though some co-operative banks took shares at once. As time goes on, co-operative bank capital gradually replaces privately subscribed, and the Central Bank becomes more and more the local banks' "very own."

Obviously banks operating with less capital than those here spoken of, or with none at all, and with slowly moving business—such as those working in rural centres—stand in a totally different position from the well-endowed, fairly capitalised, Schulze Delitzsch banks and their sister societies, the "People's Banks" of Italy—which latter are only just now, after a successful career of more than fifty years, gathering some of their local societies—not the very strongest—together into a central financing organisation. Even in Italy, by the way, all the same, the need of centralisation of some sort, for financial purposes, has long since proclaimed itself. For no fewer than about 300 local banks have sought shelter since many years under the protecting wing of the great *Banca Popolare* of Milan, acting practically for them as a Central Bank—and therefore opposed to the new institution.

However, we really have not yet got to the point of finance.

The idea approved in the minds of our British co-operators, headed as they were then by the great founders of the movement, Vansittart Neale, Tom Hughes, F. D. Maurice, Kingsley, Ludlow, Holyoake and others, when in 1868 they formed the "Co-operative Union"—which has proved so remarkable a source of strength to the movement and of power for its expansion—was precisely the same as that which prompted the formation of the German Union ten years earlier. In fact Vansittart Neale and Schulze were close allies and fellow-labourers in the matter, in constant intercourse with one another and given

to common counsel. Like Schulze, our British co-operators were distinct decentralisers. Not one among them in 1868 thought yet of the formation of the "Co-operative Wholesale Society" which since then has become a great commercial power, in the words of an admiring American of great experience in business, the organiser of the visit of the "American Commission" to Europe in 1913, Mr. David Lubin, "the thing coming nearest a miracle that I have seen." Our forerunners in British Co-operation were "out" for quite a different thing: to gather the dispersed, isolated fragments of Co-operation together, form of the straggling clusters a solid, organised host, with a recognised programme, common principles, a common plan of action, and thereby becoming powerful to influence outside opinion, attract new adherents, and above all things to maintain purity of practice and purpose, some sort of discipline, besides the force which may influence legislation, then still much in arrear. That was our "unifiers'" aim, and that aim they have attained. Our co-operators are a hundred times the stronger for having joined forces. Their Co-operation is purer, much more uniform, and by reason of its uniformity, in essentials, maintained of free will—which adds strength and impetus—much more progressive.

The principle of Union on such lines is now everywhere accepted and recognised—everywhere where it is the free-will product of those who actually practise it. Wherever the State directs and propagates "Co-operation"—like that "Co-operation," which shapes its Army—there is neither occasion nor indeed even possibility for it. For there it is not principle that unites, but precept and leading-strings. Principle makes a democratic organisation, in which members think and act and decide for themselves. Hence it educates and forms character. Officialism makes an autocratic organisation, in which members are puppets. In Germany it is not "Germans" who combine to a Union, but persons of this, that or the other Co-operative "school." So it is in Italy. Among the bulk of co-operative agricultural societies in France there is—as matters have stood up to now—no room for such Union. For the main object of collective organisation there is to obtain the assistance of State money. In Great Britain, on the other hand, it is

principle which unites. Our "Co-operative Union" does not stumble at distinctions between different forms of Co-operation, such as we meet with abroad. All forms alike are welcome. But when it sees the "God-blessed Squire and his relations" taking the upper hand in agricultural societies, it begins to jib and slinks away. And Agriculture is exceedingly foolish to introduce "the Squire and his relations" and barter away its independence for Government subsidies.

In Germany the purifying disciplinary efficacy of Union based upon principle is in a manner to be seen at its best. For there the premier form of Co-operation practised is Credit. And it is Co-operation in Credit which needs discipline and strictness most. In handing goods backwards and forwards across the distributive counter the necessity does not arise. Goods are passed and are paid for and the matter is done with. Also the principles of action are for a single dealing far more simple. In dealing with Credit very much indeed depends upon soundness of action. The "Union" inspects, checks, administers, sees that its monitions are paid heed to. It discusses, inquires, lays down common principles. It cannot enter very minutely into details, because the propriety of details varies just as conditions do in different cases. It cannot compel members to do exactly as it prescribes. But, in the first place, its judgment will be respected, because it comes from fellow-members experienced in their business. Theirs is a democratic judgment, based upon common agreement and ample experience. And if it cannot compel, the Union can remonstrate, warn—in cases of extreme need expel. That means a good deal more for a credit society than it would for a distributive organisation. If the distributive society sells articles of good quality and cheap, it will still retain its customers. A credit society expelled from its "Union" loses its status, and its credit at once. Hence the truly incalculable value of "Union" inspection, which was introduced by Schulze Delitzsch in 1878, and which has now been adopted by all the Governments of Central Europe, with Italy to join in as soon as Parliament can give its attention to a Bill drafted in 1913.

It is to be hoped that sooner or later Indian Co-operators likewise will have "Union" of the British and German

type. Their Co-operation will be the stronger, the more self-reliant, the better capacitated for getting their many millions together under its banner. But to have such a "Union" Co-operation must be free and self-determining.

There is, however, a different kind of "Union," as well, the want of which is under circumstances keenly felt even before the need of the other form of Union asserts itself. That kind is more particularly wanted among credit societies formed for the use of petty cultivators, and formed, more or less under the Raiffeisen system, with a very diminutive share capital or none at all, and whatever there is coming in doing so only slowly and gradually.

The Co-operative societies dealing with credit for agricultural, and generally rural, members, evidently in this matter stand from the outset on a different footing from those formed by Schulze Delitzsch and M. Luzzatti. Whatever they were, and whosoever lead they followed, they began in poverty, for the most part altogether without share capital of any sort. If the Schulze Delitzsch societies under the law of liability as it then stood began with unlimited liability as an unavoidable adjunct—limited liability being not yet known—and subsequently retained it on the ground that it increased their command of credit—the Raiffeisen and cognate societies began with it as their indispensable sheet-anchor, their sole financial resource. Now, mere liability without someone who will discount it is like a cheque which cannot be cashed—for the time a mere scrap of paper, however "good" the signature upon it may be. Societies with only such resource could not reasonably make it a matter of complaint if they received no deposits. There were deposits coming in, as it happened, all the same; however not in anything like sufficient volume. The business of these societies, never anything like as large individually as that of the Schulze Delitzsch societies in popular centres of trade and commerce, was necessarily fluctuating as well as slow and comparatively scanty. There were distinct flood and ebb tides. Accordingly a balancing centre became imperatively desirable. At the start local societies came to one another's rescue in this matter, lending to one another whenever they could, just as now happens sometimes in India. However, that has been rightly condemned, wherever at all avoidable, as

involving danger. It is not recommendable, because no society can quite know for how long it will be in a position to do without its cash, whereas, on the other hand, an advance subject to withdrawal at call is of very questionable benefit to a credit society borrowing, especially to one dealing, as rural societies do, in long-term loans. Of course, also, there is more risk of failure in a small local society than in a Central Bank. Moreover, intersociety business between local societies does nothing to strengthen the movement as a whole, as centralising idle balances in the money-box of a Central Bank generally does. In the possession of a Central Bank the agglomerated cash balances become a source of strength benefiting the entire movement. Two and two in this case make more than four. And really the entire organisation of a local society rather unfits it for intersociety business.

Consequently local societies without a strong share capital—and often enough with one—necessarily require a balancing centre. But they also require a counter at which their liability may be “cashed.”

Accordingly from an early period in the progress of his movement Raiffeisen, setting the first example, endeavoured his best to form a “Central Bank” for his societies. He had formed a “Union” in the Schulze Delitzsch and Manchester sense, as a matter of course long before. And such “Unions” of the same sort were, equally as a matter of course, set up wherever Co-operation came to be organised. Accordingly the number of distinct “Unions” became larger and larger as time went on. For, like Haas, everyone who had “ideas” on that subject desired, like Cæsar, rather to be “first in a village than second or third in a larger community.” In truth, in course of time the number of “Unions” became rather bewildering. Pangermanism has lately been whittling it down by “patriotic” amalgamations under Government pressure, uniting at any rate the host of State-inspired “Unions” into one still more amenable to State guidance and the propagation of Prussian political opinion. The Unions based upon principle retain their independence.

Central Banks, likewise, introduced first by Raiffeisen, as almost a necessity to a movement like his, have long since become a common feature, at any rate in systems having to

do with Agriculture. In other movements the urgency is not so marked ; however, under more systems than one the advantages accruing from the possession of a Central Bank have made such coveted and, when secured, appreciated.

Raiffeisen's own path, as the pathfinder in the matter, to the creation of his Central Bank, as we now see it, was not by any means strewed with roses. It proved on the contrary distinctly rough, causing many a jolt and many a stumble, and even one or two breakdowns. Schulze Delitzsch's difficulty, when bound upon a similar errand, was this, that Co-operative Credit society business, although generally safe—provided that the co-operative principle is fully observed—yields only a small profit, such as a commercial bank, working for gain, may scarcely consider it worth its while to labour for. But it was such a bank that he wanted, as a support for his own societies, just because he would not have a Central Bank proper. The "Co-operative Societies Bank" which he at length succeeded in organising, broke down, not over its co-operative, but over its speculative business, which it had taken up to satisfy its shareholders covetous for "profits," but which it was not fitted to manage. Raiffeisen's difficulty was of a very different description. His bank was to be a bank for the business of his own co-operative societies only, owned by them, and satisfying their own modest requirements. It was indeed also to form a link with the open market, to supply excess needs of local societies in either of the two ways in which they will present themselves—either as a receiver of excess deposits, to afford a safe repository for such, or else as a supplier of excess funds needed beyond such as the movement itself could produce, to come to local societies' aid. Also it was to become a financing bank in the way of providing cash against security to incipient societies which were themselves still bare of liquid means. But first of all it was to be a useful balancing centre in two ways. The first was to adjust superfluidity of funds and want of them, as already indicated, but within the movement. The second was, to balance differing rates of interest—which in Germany contrast very strikingly with one another between different parts of the large country. For this last-named purpose, so it may at once be pointed out, its pronounced

centralisation of business in one hand has proved of inestimable benefit. Money is generally more plentiful, and accordingly rates of interest for borrowing it are lower, in the wealthy and industrially developed West than in the more purely agricultural East, where cash is scarce, in larger demand for the particular purposes of the credit societies, and rates of interest run correspondingly high. The difference between the two rates is much what it is between the rates current severally in Great Britain and in India. We know how great an attraction that difference proved at the time to the intending promoters of the All-India Central Societies Bank proposed some years ago. A Central Bank operating from one centre throughout this large German area is in a position to balance between the financial land of Goshen and the barren wilderness of Kadesh just the same as between bank and bank, securing to the more heavily burdened district the advantages of cheaper money by drawing upon the resources of the less encumbered and far more richly endowed, without making any charge such as would be made by an intervening outside institution or even an institution of a different section of the same movement. That, however, was in the early seventies, when Raiffeisen began his groping for a scheme, still a thing of the future. Meanwhile he had the great initial difficulty of finding the requisite money to endow his central institution with to contend with. And that proved rather serious. It took him more than four years to overcome it successfully. However, in 1876 we find him presiding over a Central Bank, still comparatively weak in capital, but nevertheless so far successful that within a few years we see imitation Central Banks cropping up among congenerous organisations all around it, shaped more or less on the very same mould. Dr. Haas carried the idea of imitation with him into his secessionist camp, and started a Central Bank similar to that of Neuwied at once on the formation of his incipient Union, at Darmstadt, in 1883. The Westphalian Societies, organising independently, about the same time, grafted the Neuwied institution on their system in 1884. Others followed rather later—the Rhenish Peasants' Union, a powerful and distinctly Roman Catholic organisation, in 1892; the Württemberg Societies in 1893, and some more not long after. The *modus operandi* followed was

throughout more or less the same. The local societies themselves could not raise much capital out of their comparative impecuniosity. They were at first not even absolutely required to take shares in order to become entitled to the services of the Bank, so far as such could be given, although they were urged to do so. The Central Bank could not afford to be overexact. Supposing that they did take shares the actual demand made upon their purse was not oppressive, being limited to 10 per cent. of the face value of a share, something under Rs. 200, with liability to pay up the balance by easy instalments. In very poor societies some fairly well-to-do member joining—it might be, the parson—would advance that sum. In view of the nakedness of the land itself, friends had to intervene, taking up shares—however, on the understanding that such shares should sooner or later be passed on to societies, as society capital became equal to the outlay. And since the last reorganisation, shares in the Central Raiffeisen Bank (now domiciled at Berlin) other than those held by societies are allotted only to members of the Governing Council. So constituted the Central Bank has proved quite equal to all demands made upon it, although at first, while its share capital was small, at times with difficulty. Soon, however, the Bank established so good a reputation as to lead the Imperial Bank of Germany—corresponding in position to the Bank of England at home—to concede to it preferential terms for advances and discounts. The late President of the said Imperial Bank, Dr. Koch, has publicly borne testimony to the goodness of its business. His institution had previously given similar testimony to Sir William Mather, who, as a large contractor operating in Germany, had a business account there and inquired, when completely staggered by the to him astounding figures which I had given him—indicating the business of the Raiffeisen societies—to assist him when acting as chairman at a public meeting on the subject at Manchester. The Imperial Bank fully confirmed those figures. The situation changed a little in 1895, when the Prussian Government established its State-endowed Bank, which was, by taking over Co-operative Societies' business, to relieve the strain upon the Imperial Bank. The Raiffeisen Union would have nothing to do with the new institution till much later. And after it had

been caught in its toils it managed to slip out again very quickly. In the meantime the Union had also grown strong enough to shift for itself. And when its ephemeral relations with the State-endowed Central Bank came to a close, it could easily, just like the Schulze Delitzsch Union, arrange terms with the powerful Dresdner Bank, an independent Joint Stock Bank, working of course for profit, on terms really more favourable to itself than those allowed with a pompous pretence of patronage and favour by the State-endowed Bank—which terms at the same time left the Raiffeisen Central Bank in full independence, whereas the State Bank's terms had bound it to its own monopolistic dominance.

The Haas Central Bank, founded in 1883, in 1895 at once fell in with the State Bank's proposals, which have brought it some gain, but also very much inconvenience and absolute dependence. It was partly in deference to the demands of the State-endowed Bank that the Haas Union cut up its Central Bank business into local sections, so that the State-endowed Bank had in every instance a *provincial* Central Bank to deal with, as well as the Central Bank at Darmstadt, which latter underwent such a shock in 1912. Most of the score or so of provincial Central Banks of the Haas Union, carrying on business independently in their own district, were formed after 1895. However, such arrangement was also altogether in accordance with the decentralising principle set up by Haas, as opposed to Raiffeisen's centralisation of finance. In course of time, as business grew so much as to become unmanageable from one centre, Raiffeisen's successors likewise yielded on this point—however, so as to leave the unity of the "Union" unbroken. Accordingly its Central Bank, now situated at Berlin, still remains the centre of the entire business and secures to the Union the advantages which the original organisation adopted was selected to ensure.

We have, then, in Germany, the following Central Bank arrangements. The Schulze Delitzsch Union, with its well-endowed societies, has no Central Bank proper, although two of its sections maintain such locally and find them useful. But it employs the strongly capitalised Dresdner Bank in lieu of a Central Bank, supplying itself two Directors to its Board, as having seats and votes in its

distinct "Co-operative Section." The Polish Union in Prussia, formed on Schulze Delitzsch lines, has its highly useful Central Bank, still on "mixed" lines, but with the proportion of societies' shares in the holding of share capital, continually increasing. The Raiffeisen Union has its own *really central* "Central Bank," in which, apart from Directors, only societies hold shares, directing in a manner the entire business, and finding a ready support when needed in the Dresdner Bank—Directors of which have expressed to me their entire contentment with the arrangements concluded with both the Raiffeisen Union and that of Schulze Delitzsch. The arrangements, so I have found, give equal satisfaction in either case to the contracting parties on both sides, so that it may be taken as a well-established fact that a sufficiently-capitalised Joint Stock Bank may very well answer the purposes of what I will for the moment term a "supercentral" or "apex" bank—a bank, that is, serving as reserve, discounting bills, making advances and accepting deposits, but *not interfering* in co-operative bank business. The only weak point in this arrangement is that such Joint Stock Bank, standing outside the co-operative connection, might give up the business, if it were so minded. That is what in fact has occurred in the early arrangement made by the Schulze Delitzsch Union.

The co-operative banks of the Netherlands and of Belgium, both of the Raiffeisen type—with a pronounced denominational aim added, by the side of the social and economic—have Central Banks on a much reduced scale, organised similarly to that of the Raiffeisen Union, but with a predominance for the present still of private share capital, subscribed in part on denominational grounds. The same thing may be said of the Roman Catholic *casse rurali*, of Italy, with the proviso added, that they are organised according to dioceses, with the diocesan Central Banks doing by far the larger part of the business. The so-called Central Bank of all, established at Parma, if it still exists, has never had much business. Among the Roman Catholic gentry of Italy denominational feeling is so strong that the diocesan banks are not likely to be left high and dry. Two other Italian connections, the Luzzatti *banche popolari*—which is the most important of all—and the Raiffeisen *casse rurali*, have Central Banks still only in embryo, of very recent origin.

Barring the Dresdner Bank, and the earlier Schulze Delitzsch Bank, "Sörgel, Parrisius and Co.," both of them distinctly Joint Stock Banks, all the Central Banks in Germany here spoken of were started on what in India passes by the term of a "mixed" type, private endowing capital predominating at the outset, but permitted to do so on the distinct understanding of its giving place, wholly or in part, as societies would become wealthy enough to take up shares, to societies as shareholders. Outside the Schulze Delitzsch Union then—which differs from its sister unions in the matter because its entire position is distinctly different—the ideal aim is, that the societies should as much as possible possess their own Central Bank, which is to render all facilities possible, but not to domineer over them. It is entitled to information and the right of inspection, in virtue of its being a creditor, or potential creditor, but not otherwise. Local societies take their audit, their inspection, their admonitions and their precepts—as laid down in Union resolutions—from their *Unions*, that is, collectively from themselves.

Coming now to India, so far as I can gather, it is causes different from those which proved effective in European countries which have first suggested a policy of combination and have thereby led to the creation of "Central Banks" and "Guaranteeing Unions," and already to the formation of some "Provincial Banks" as coping-stones to the entire provincial fabric, centralisers of existing forces. There has also already been talk of an "Imperial Bank," as super-coping-stone; and since Provincial Banks are reported to be doing business with one another, that is a further development which we may look for with something like satisfaction. The reason for forming these centrepieces, so far as I can see, is that local societies—"primary societies," as they are called in India—could not succeed by themselves in attracting sufficient deposit and loan money.

That is just what happened among our at the time still numerous and correspondingly sparingly equipped commercial banks in the era extending from about 1860 to about 1880, when they found that in their isolation and consequent comparative weakness they could not individually attract sufficient deposits to answer their growing business needs. And that was the beginning of our "amalgama-

tions," which, by combining forces, and thereby strengthening security for depositors, remedied the defect.

"I could not get many people to invest money readily in the rural bank, but some came forward and paid their money into the Central Bank which financed the rural banks." So wrote some years ago the Registrar at Shillong. But I think it was Mr. Hope Simpson who, showing generally distinct resourcefulness, first introduced Central Banks in his own district, the United Provinces, on the very same ground. And what Mr. Ramachandra Rao stated at the third Congress of Registrars, in 1909, with regard to Madras, seems to come to much the same thing. "There is a good deal of surplus money in some areas of this Presidency (Madras), notably in the Delta. People there feel the want of a *sound* bank for investment. People have also recognised that it is perfectly safe to invest in co-operative societies. So specific proposals have already been made to me in two districts, to organise Central Banks." It was thought—and in practice found—that a cluster of local societies, grouping themselves together to a "Central Bank," would command a readier access to the pockets of the public than the unfaggoted single societies. Against this Mr. H. R. Crosthwaite, writing in "Co-operative Studies," sets up the following argument, as being urged by "some": "If a co-operative society is not trusted by those who live close to it, there must be some good reason for the fact, and the Central Bank should not grant credit." However conclusive such reasoning may appear, he himself by no means subscribes to it. And in truth it cannot under present conditions be held to apply in a general way to India as a whole, however sound it is in the abstract. If the argument in favour of combination has force in other countries, certainly in India experience has shown that combination for credit purposes is necessary. The credit-raising power residing in each local society is still so puny and, whatever its force may be, its value is still so generally unknown, so little realised, that, generally speaking, very much reliance cannot yet be placed upon it. The local societies are after all still new. Some of them have had to be dissolved, as not worth preserving. The members of pretty well all are still new to their business. There are, moreover, difficulties about communications, and the quite

accountable shyness of depositors is probably not a little aggravated by the ingrained Indian habit of hiding money away unfructifyingly rather than carrying it where, under the care of some other responsible person, it will bear fruit. One may hope that some of these reasons will disappear in course of time—that Indians will realise how much inexcusable national waste is incurred by the practice of “stocking” (though the favoured receptacle in India is not a stocking) money; that they themselves and their neighbours, their own national, racial, tribal cause, will be benefited by that money being made available for productive purposes; that, furthermore, local societies having been made thoroughly dependable—in the keeping of their own friends and neighbours, elected by themselves, on the ground of their trustworthiness—their money will be safe—safe from thieves and safe also from impressment for other purposes in which they have no interest. But for the moment the time for this has not yet come. Even when it comes there will still be a great, and enduring, call for financial union for the purpose of creating greater financial strength. The want of such has indeed been shown to have been already greatly felt. The tendency generally is distinctly in the direction of centralising financially. Only, under pressure of such centralising tendency, the need of maintaining decentralisation in distributive action appears in danger of being lost sight of—if such aberration has not indeed already taken place, as the passage quoted from a book written by one of a late Registrars of societies in the preceding chapter gives one reason to suspect that it has. Over the satisfaction of one want we should take care not to forget the existence of the other.

Comparing the office of financial centralisation in India with that applying in Europe, it may be said that Central Banks in India, although necessarily formed in principle on more or less the same lines as those known in Europe, represent an essentially different kind of organisation. They are necessarily smaller, operating in a reduced district and accordingly with reduced means and on a reduced scale. There appears to have been some difference of views as to the proper form of their formation. Indian Registrars argue and dispute quite unnecessarily about “three distinct types”—which subject does not trouble us in Europe at all,

because there is very little matter of principle hinging upon it. You cannot lay it down that a "pure type" Central Bank is inherently better than a "mixed" or "capitalist" one. The "capitalist" one has this against it, that it may come to an end when that is very inconvenient to the local banks to which it ministers, and that "capitalism" in it may spell "profiteering"—if there is not a Government to lay an embargo upon high interest, as has been done in Bombay. However, one would rather leave Government interference out of the arrangement altogether. It may be a safeguard, but it represents an interference. The late Eugène Rostand's motto is a good one: *Acceptons le contrôle, refusons l'intrusion*. Obviously that will be the most proper form of organisation in every case which most readily provides the required amount of capital under suitable conditions. As a rule probably the "mixed" type will be practically the only form practicable, because by it alone the necessary capital for starting can be got together. But, being so started, the Central Bank ought, among rural societies, if possible, to become steadily transformed more and more into a "pure" type institution, though even in the later stages of its progress there is absolutely no necessity for private capital being excluded. The danger involved in private capital, of course, is that it may seek its own advantage too greedily and make the bank a preserve in which to pursue its "dividend-hunting." We have seen "Central Banks" formed with special preference shares—which are quite unco-operative—allotted to private—*i.e.*, capitalist—shareholders. In a co-operative society members should throughout stand on an absolutely equal footing, without any distinction between them. Accordingly preference shareholders with a privileged status must be ruled out of place. "Our preference shareholders," so rightly objects Mr. B. A. Collins, "are an element antagonistic to the rest. They are not exactly an evil, but they are a defect, according to the 'co-operative idea.'" Then there is a note from the Punjab: "Central Banks, when in private hands, at first looked mainly for dividend—the profits earned came to be regarded as their most important feature."

Otherwise one hears complaints about Central Banks, some of which—at any rate so far as one can judge from a

distance—do not seem altogether to justify reproach, although, certainly, they do represent a defect. It ought to be borne in mind that men who come forward to take shares in Central Banks do so all the more readily because they believe themselves to be running no serious risk of loss of principal or interest in taking up those shares. The number of such—and other—volunteer supporters of the co-operative cause is in India undoubtedly still limited. More is the pity. For it is just volunteer workers that are most wanted. Now, when it is said that Directors of Central Banks sometimes show “too little interest” in the cause, and that they allow one or other among them, who has sufficient time and energy, to “rule the roast,” that indicates a regrettable fact, but it cannot be made, altogether, at any rate, a serious subject of blame. For a volunteer worker can only be expected to give what he can, and not what he cannot. It is very much indeed to be hoped that more volunteer workers will come forward and help, among other things, in conducting the business of Central Banks on businesslike lines. For the local societies do not yet appear in a condition to furnish a sufficient contingent of competent Directors. It is for this reason that those who actually direct the movement will do well to bestir themselves to enlist and train up capable men for the position. But for the time being we shall have to be content to take what we can get. And as for the future, it seems to me that the trend of things is rather in the direction of the Central Banks gradually losing their pre-eminence as Provincial Banks develop and gather force. And that I take to be on the whole a move in the right direction. For finance wants to be centralised. We do not need the opinion of great bankers like Sir E. Holden and the example of European banks to teach us that. It proclaims itself. Everyone can see that a Provincial Bank with a crore of rupees at its command, acting through Central Banks as distributing agencies—with other not unimportant functions to discharge—will for financial purposes be worth more than ten independent Central Banks operating with ten lakhs each. Our Co-operative Societies in the United Kingdom have after, rather long-continued hesitation discovered the value of such centralisation. They now rightly centralise all their liquid resources in the Banking Department of the Co-operative Wholesale

Society, in whose hands every pound so collected possesses a considerably larger working value than it would possess in the keeping of the local societies from which it was contributed, while leaving each local society taking part in the centralisation just as well equipped, because after all the pound remains its own and may be drawn out without notice at any time whenever it is wanted. It is the residue not wanted, the balance remaining over, which tells in the Central Bank's holding.

But what I must confess that I do regret in the organisation of Indian Central Banks is that they, financial institutions that they are, are being put to uses for the performance of which purely financial institutions are manifestly not qualified, and set to discharge duties which it may be temporarily unavoidable to saddle them with—since there is no one else yet to take charge of them—but for which they are not really fitted, but which nevertheless they appear to consider themselves charged with for good.

Local banks require, even for mere business purposes, more than mere financing. Indeed they require something else in priority to financing, which latter conceivably in a state of perfection they might manage to do for themselves. They want to be audited, checked, supervised—and this all the more, since under present conditions local supervision by a Council seems altogether out of the question. It is perhaps unfortunate that we started by dubbing these humble little credit societies "banks." I am afraid that I am, at any rate in part, responsible for the ambitious misnomer, having borrowed the name from the Italian *banche popolari*, the creation of M. Luzzatti, to whom I dedicated my first book on the subject. In Great Britain, in the second version of my Bill placed before Parliament (and adopted by the House of Lords), we corrected the mistake by styling our societies "Credit and Thrift* Societies." The name of "bank" has set people supposing that, since "banking" was to be done, skilled bankers must be the best advisers to resort to—altogether overlooking the fact, which in truth is still daily escaping notice, but which requires careful impressing upon minds, that Co-operative Credit,

* This title in itself ought to dispose of the unfounded conception that I look for the extinction of an "incentive to thrift" from the accumulation of an "Endowment Fund" by the local society.

which bases itself upon character and opportunity for remunerative employment, and should by preference not engage pledge security at all, is a different thing altogether from capitalist banking, which looks less at the man than at his possessions.

Now the Co-operative Central Banks—using that term generically, not in the narrow specifically Indian sense—of all co-operative institutions, come nearest in character to commercial banks. Forming, as they are intended to do, the connecting-link between the co-operative distributors and collectors of funds and the great market, they are bound to accommodate themselves in the general organisation of their business to commercial banking ways. And therefore their officers and Boards or Committees are considered the best suited to undertake the task of tutoring the humble village banker in his petty business and of auditing, advising and generally supervising the village societies. Now, so far as auditing is concerned, of course the “banker” will be thoroughly in his element, though it may be in the discharge of duties which a technically less skilled man might perform practically equally well—by which I do not mean to say that in societies of any size and pretensions a skilled accountant will not be far preferable to an amateur auditor. But when it comes to co-operative *credit* business, our skilled banker is not only as much, let me say, *above* his element, as an eagle upon a pond would be above the much less pretentious duck, and a Savile Row tailor above an East End clothes botcher, but the proper nexus of common interest desirable in such transactions is altogether wanting. And among humble folk it is the clothes botcher that is wanted, and not the Savile Row coat cutter. True, the two classes of institutions do business with one another and are intended for that very purpose, and seem thus in a sense harnessed together in the same team. However, their business is not altogether that of partners in the same concern. The representative of the Central Bank will look at things from his own point of view—which is not quite the same as that of the village bank. And his own institution distinctly has a different office to discharge, calling for different rules of action and has also different interests from those of the village bank. The large electric tractor plough cannot operate with the same effectiveness on the raiyat’s

narrow headlands and contorted angular little plots as the much less pretentious bullock plough of the raiyat himself, supplemented by a spade. The cobbler works with an awl whereas the miner employs an auger. Besides, the interests of the two classes of institutions are essentially different, and everybody works first for his own interest.

After the collapse of the Hessian banks, my whilom friend Herr Ihrig, who had long been Herr Haas' second-in-command, and was actually Managing Director of the Central Bank at Darmstadt, and generally trusted, had criminal proceedings instituted against him because it was found that he had given false information and advice to local societies, being depositors in the Central Bank. The officers, and indeed also the members of those societies, naturally looked up to him, as village bankers are told to do to officers of Central Banks, as to a disinterested and thoroughly well-informed and skilled friend. He had represented his own bank to them as being in perfectly sound condition, fit to be entrusted with deposit money, when in fact it was already hopelessly insolvent. Conduct very much less reprehensible than this might still be distinctly detrimental to a credit society. For really trustworthy advice you must have a man with your own interest. Divergence of interest necessarily incapacitates for advice.

Supervising village societies' business—which may involve questions of great delicacy—calls for careful judgment and absolute absence of separate interest. It is a matter of course that it will be conducted, not by officers of the village societies themselves, but by chosen representatives or officers, the best skilled for the purpose that can be found, free from all prepossessions—knowing, as M. Luzzatti puts it, slightly misquoting a Biblical text, “neither father nor mother”—and having only the village society's own best interest at heart. It is in part for this purpose that European credit societies have their “Unions” with the wide district of each cut up into sub-union sections to make it manageable, and skilled officers—who in the advanced state in which the matter now stands in Europe, are made to pass through special training—to do the inspecting work. These men are the societies' servants. They have no one to think of except the societies. Their representing the “Union,” instead of weakening their interest in the

societies inspected, as the haunting thought of the separate interest of the Central Bank might do, greatly quickens it. For, if it is to the interest of the local society that it should not become a "black sheep," it is still more to the interest of the "Union" that it should have no "black sheep" among its flock. And let alone the fact that a supervisor so appointed and so skilled will bring to his inspection special knowledge and experience, far more extended and varied than that which any of his local clients could command, knowledge of a specifically co-operative character—which is an important attribute—as the representative of the "Union"—membership in which is a valuable asset to the local society—he has, by means of his representative authority, the best means of impressing his lesson upon the local society and subsequently enforcing compliance with his judgment. That is far more effective than the Burmese "money stick" brought to bear by a Central Bank, whose directors have, as observed, in some instances in India, been taxed with thinking too much of their own dividend, as they have in others with "showing too little interest," and who have, in truth, no other weapon in their hand against a refractory local society than the rather brutal one of the "money stick"—whereas the representative of a "Union" is able to vary his pressure according to the nature of the defect and the recalcitrancy of the peccant society.

For the present India possesses no co-operative "Union" of the European type. One is bound to be glad to see a movement in favour of the formation of such in progress. The appointment of a Committee resolved upon by the ninth Conference of Registrars seems to point in this direction. In Europe, wherever co-operative organisation appears to the authorities of the land not sufficiently complete to warrant "Unions" to be entrusted with the task of inspection as responsible organs recognised by the law, the State reveals extreme eagerness to grasp the reins and claim the sole right of inspection for itself. That tendency has very distinctly shown itself and has had to be resolutely resisted both in Germany and in Austria. One may be thankful that in India there is no danger of such an attempt being made. For I cannot count the supervision now entrusted to the Registrars and their staffs as such. In exercising it they are acting rather as tutors than as political

authorities. Officers appointed for the discharge of such duties by the State as general administrative authority are by common consent condemned as of all conceivable inspectors those least fitted for the work—so much so that with excusable exaggeration M. Luzzatti has laid it down, that no inspection at all would be better than inspection by officers of the State. And it is in deference to his objection that a Bill, shown to me at Rome by the Minister in charge of it in 1914—and which appeared to me quite acceptable—keeping inspection by officers of the State in reserve only as a last resource, has been withdrawn. An inspector appointed by the State brings no sort of the required interest to his task, nor, probably, sufficient knowledge. His interest will be limited to sufficient formal, it may be perfunctory, discharge of his duties, in order not to forfeit him his place. His interference is accordingly sure to be resented, very likely to remain unheeded, since he has no means of enforcing compliance with his admonitions—except it be by dissolving the society, which would evidently only make bad worse, by depriving the district of an institution that is wanted and may be capable of improvement. The State has a right, and a duty, to see that the precepts of the law are carried out and that balance-sheets are issued, and that those balance-sheets are correct. That is what our Registrars of Friendly Societies do in the United Kingdom. They do it well. And societies fully appreciate their supervision as a benefit. They have even asked for a tightening of the reins. But our British Registrars do not go farther. In India Registrars necessarily have to exceed such limits by a great deal, because there is no one else to do the work required. They direct, guide and restrain, not in all instances as officers of the State, but as guardians and tutors appointed to educate beginners in Co-operation in their new craft. However, with all their energy and activity, their power of work is necessarily limited; and, besides, their appointed duty is not permanently to do things for societies, but, on the contrary, to teach co-operators to do things for themselves. So, in the absence of “Unions” in the European sense, “Central Banks” have not inaptly been chosen to act in their place. There is probably at the time no better alternative within reach. But their supervising action should be understood

to be temporary only. For from what has already been quoted, it is evident that "Central Banks" do not, in spite of the no doubt excellent intentions of their officers, and the unquestionably most useful services rendered by some, give *all* the satisfaction everywhere that might be wished for. Some of them have been accused of want of interest and energy; others with placing the interest of "Central Banks" before that of local societies; others again with ignorance. It has been openly said that the teachers themselves rather urgently require teaching. These charges may be exaggerations. They may even be altogether groundless. But they exist and they indicate a current of prevailing opinion.

However, so closely wedded are some of the champions of the Co-operative Movement in India to the idea of the full sufficiency of "Central Banks," as now formed, to function as leaders and mentors, that not only is their functioning generally accepted as a necessity, but one Registrar, as already observed, has actually gone so far as to propose that they should be made obligatory and the "pivot" around which the entire Co-operative Movement is to be made to turn; and furthermore that every society recognised under the Co-operative Law should be compelled to join *the* particular "Central Bank" allotted to its district and that local societies should in this way be brigaded like an "army," each group with its own commanding general appointed from "above," whose dictates societies are to be made to obey. And since even "Central Banks," even in comparatively small districts, cannot without risk take charge of the financing of all the local societies "affiliated" to them, an additional class of institutions has been pressed into service in the shape of "Guaranteeing Unions," to answer collectively to the "Central Bank" for the advances taken from it by any particular local society. Now in this proposal, which distorts co-operative organisation—or rather suggests organisation wholly opposed to co-operative principle—we can well discern the general trend now asserting itself in the Indian Movement, and threatening to deflect it and spoil its co-operative character—of course without any consciousness whatever of wrong going.

The tendency so indicated is—almost naturally among

human beings—to avoid trouble as much as possible and partly therefore—partly perhaps also from the force of habit—to adopt capitalist methods of credit, in the place of co-operative. The capitalist gives credit to a person, as representing “property,” on the security of some convertible pledge committed to his keeping, which reduces his trouble involved to a minimum. He may, in the case of “personal” credit—which in this application is still based upon the knowledge of the presence of actual wealth—have to inquire whether his borrower and his sureties are “good” for such or such a sum. But that is only to make doubly sure. That is an easy way of giving credit. But it is of no use to the small man, whom I take it that we are thinking of. The co-operator gives credit on the security of the assurance that a man may be trusted with the money, and of his undertaking to employ that money for an outlay which will more than repay itself. That, of course, involves trouble—both of inquiry and of watching. However that is the only way to help a small man. And that is what Co-operative Credit was invented to do—to provide, as both M. F. Passy and Schulze Delitzsch have put it, “capital without the presence of a capital of guarantee,” to entrust money, as Sir R. Morier, quoting these authorities, has expressed it, “on the security of labour,” which, he added, has been found “as good a security for credit as the broad acres of a landed proprietor.”

The policy based upon “Guaranteeing Unions”—the joining one of which one impulsive Registrar would make compulsory upon every society—is designed to avoid the trouble referred to, by substituting a collective guarantee. At the ninth Congress of Registrars we have even had the proposition put forward, in the same temper of mind, that as security for every loan a mortgage on landed property should be given. Now mortgages constitute a form of security which leaders of every Co-operative Credit Movement, whatever its form, distinctly and strongly disavow. So here we see Capitalism rampant given the preference over Co-operation.

However, there is another idea obviously underlying the proposal already partially given effect to in the formation here and there of “Guaranteeing Unions.” Union within the larger “Unions” already spoken of, may undoubtedly

under circumstances be a very desirable institution, in certain cases even almost a necessity. And India, with its small societies, its undeveloped means of communication, the very elementary mastery of co-operative and business principles by those who practise Co-operation, and its wide distances, plainly appears to provide such a case. "The problem of finding the effective intermediary between the large district bank and the remote primary society," so writes Mr. R. W. D. Willoughby, as Registrar in the United Provinces, in his annual Report for 1915-16, "is about the most difficult we have to face, and there is as yet no solution in sight." As the only alternative solution—in this sense, as providing for financial service between the two—he mentions "branches of the district bank." That is practically what—although under another name—has been applied with very good effect in Europe. However, as Mr. Willoughby rightly reminds his readers, "this postulates a thoroughly trustworthy and energetic local manager with supervision and check by at least one local director of the central institution"—a condition the fulfilment of which under present circumstances presents distinct difficulties in India. Nevertheless, it is by such or similar means that in all probability the "problem" propounded by Mr. Willoughby will have to be brought to a solution. It will have to be realised that, however much Central Banks or Unions and local societies may be dependent upon one another, and be linked together, under one aspect, by common interest—in respect of *business* they form, and must continue to form, two distinct and separate institutions, each possessing its own interests and having its own responsibilities—to whatever extent they may be formed by the same persons and one institution may be a shareholder in the other. In business matters each institution, whatever it is, will have to form a distinct, self-governing, independent concern, with clearly delimited powers, possessions and responsibilities. Entanglement of interests or responsibilities necessarily means confusion, breeds carelessness, and may bring about disaster, just by reason of the absence of clearly marked delimitations.

As a second "alternative"—which in truth is no alternative at all, inasmuch as it very rightly drops all idea of finance—Mr. Willoughby suggests "supervising and organ-

ising committees under a district officer or subdivisional officer, which, while not undertaking finance, would control and pay a supervisor, arrange for receipt and despatch of money and direct propaganda."

Now, drop the "district officer and divisional officer," and the "arranging for the receipt and despatch of money," and you have a scheme such as Mr. Gourlay prepared and submitted in the early days, when he was Registrar in undivided Bengal, and which certainly deserved approval. Whatever be the form of organisation selected, the district and divisional officers certainly have no proper place in it. Quite the reverse. We ought by all means to try to keep clear of "officialising." However, for supervising purposes local unions are decidedly desirable. They may continue so even after India has succeeded—as we must hope that it will—in grafting the institution of a "Union" in the European sense—as a controlling, correcting, propaganda-making body—upon its system as a means of facilitating supervision and the other tasks indicated. But it will have to be a collective body formed of societies themselves, which will have to be the authority controlling such controllers, or the institution will cease to be co-operative. For the time we may accept the Registrar as a substitute. But we do not want to penetrate farther into the official hierarchy.

The difficulty of Mr. Willoughby's "problem" will of course become alleviated as organisation in the co-operative banking apparatus becomes effected, until, after completion of such process, it may be expected to cease entirely and things will begin to work smoothly as they do in Europe.

Meanwhile there appears to me to be serious objection to the employment of "Guaranteeing Unions" as intermediaries, just because they make finance their business, which appears to be to some Indian Registrars their main recommendation.

A supervising Union of the type proposed by Mr. Gourlay, so it is quite true, could not be expected to answer all the purposes of inspection by a larger "Union" of the European type. It could not command the services of as fully skilled and experienced inspectors. It could not hope to exercise the same constraining authority. But it would certainly be a beginning. And while societies' dealings are restricted, "little things are great to little men." On

the other hand, it might to a certain extent replace Society supervision—not fully, but working up to it.

“Guaranteeing Unions” apparently had their birth in Burma—a peculiarly situated province, in which societies are very small and intelligence exceptionally general—and they appear to have gained some foothold also in the Punjab and the Central Provinces, and quite lately also in Bombay. In them inspection appears to be regarded only as a secondary object. The governing idea is that a certain number of local societies join together in order to give a certain collective guarantee to the “Central Bank,” which on such security will advance the money asked for. That will save trouble, of course. The “Central Bank,” desiring to be made the “pivot” of the whole system and practically direct local credit, but having discovered that at its distance from the localities to be dealt with it cannot sufficiently gauge local conditions, by this means obtains a guarantee which it considers practically “good enough,” without necessitating further trouble.

Parenthetically I would point out that the principle of directing loaning from central points has not elsewhere been found altogether successful. Central Bank pivoting is the principle underlying the French scheme of Agricultural Credit, which has indeed succeeded in putting money in circulation—less than half of what was provided for the purpose—but, according to the testimony of its own most interested champions, has not generated any co-operative spirit nor stimulated people acting in common to undertake the liabilities demanded from them. Quite the reverse, it has led them to fight shy of them.

Now, when the idea was first broached of committing the combining societies to unlimited liability, of course, no one would hear of them. We have the testimony of one Registrar to this effect. In no organisation in which members have not the entirely free disposal of their own liability, and can personally check its engagement, should liability be allowed to be unlimited. You may lump finance together as much as you please. As a rule you will in so doing strengthen its power. But responsibility wants to be divided down to the very units, so as to enable you to fix it upon the individual member, but at the same time also—that is a necessary corollary—leave him a free dis-

cretion in engaging it. The Store lumps finance together by buying collectively. It divides responsibility down by asking every purchaser to pay cash on the nail for his goods. The Credit Society works in the reverse direction, but must work on the same lines. It borrows collectively, but it is careful not to interlock liability. It was the danger of interlocked liability which caused Schulze Delitzsch to meet the repeated proposals made to form a Central Bank for his "Union" with such determined opposition. For during his lifetime limited liability was unknown in Germany.

Well, our Indians have in some way limited liability for "Guaranteeing Unions." Each society joining is required to engage its liability only up to the amount of money that it has had in the preceding year received from outside its own resources. That is rather an arbitrary limit, which may not in all cases answer requirements. For a society's need of credit is not by any means a fixed quantity. It should not be. It varies according to circumstances. What was enough last year may not prove enough in the next. And to lead a society to count upon the "Central Bank" always, as a matter of course, and make drafts upon it a fixed quantity, is a mistaken policy, which may lead to mischief. For borrowing from a "Central Bank" is intended to be something comparable to an emergency measure. The "Raiffeisen of France," Louis Durand, has not inaptly, but with some little exaggeration, put the matter in this way, that a society in debt to its "Central Bank" should consider itself "in hospital," and make it its earnest endeavour to get out as fast as it can. You are not likely to exert yourself to become a capitalist—which is what co-operative banking is to stimulate its members to do—so long as you know that you can always rely upon a certain amount of borrowed money to operate with. On the other hand, a "Central Bank" is there also to satisfy local societies' needs on the occasion of great emergencies, when a good deal may be wanted. It is such uncertainty which makes the management of a "Central Bank" a difficult matter. The Bank wants to be prepared for all contingencies.

There is another point still to consider: Will all those guaranteeing societies be equal to their guarantees? They were last year, but that time is gone by. The "Central Bank" knows positively very little about the financial

position of each, or it would not ask for a collective guarantee. But a guarantee that is uncertain in its fulfilment is not worth very much.

However, the main objection is that of liabilities being interlocked. It is contended—seemingly with full conviction—that interlocking does not take place, because liability is “limited.” That alters the effect, but it does not remove the objection. As matters stand now, you no longer give your comrades a blank cheque, but you give them a cheque made available up to a certain fixed sum. Up to that sum you are committed to them without reserve. You have lost the command of your own money. Up to the point named the disposal of your money is in other people’s hands. Within such limit liability certainly is interlocked, and that should not be in Co-operation. It involves one of the “risks” which co-operators are by all their masters impressively adjured to avoid.

“Guaranteeing Unions” are reported to have been successful in Burma. That is very satisfactory for Burma. But we have not come to the end of our tale. The “book” is still in our mouth only. There it appears “sweet as honey.” The true proof of its quality will be found at a later stage, when it reaches our stomach. One cannot be altogether surprised at the fact that elsewhere, in Provinces not so favourably situated as Burma, “Guaranteeing Unions” have not been found to go down quite equally well—not even in the United Provinces, in which the late Registrar, a very thoughtful and intelligent man, had constituted himself their devoted champion. On this point the late Registrar, Mr. Willoughby, writes: “The Guaranteeing Union has not yet been tried on a scale from which any conclusion can be drawn. One such union is working in Bijnor and working successfully; but its establishment was not really necessitated by difficulties of supervision or finance and it does not relieve the district bank of anything except some of the risk of finance. Inspectors were instructed to keep in constant view the possibility of organising unions of this type, but conditions in which their establishment were possible do not seem to have presented themselves. The survey of the Basti societies has been concluded and three nuclei have been selected for the establishment of experimental Guaranteeing

Unions. There is as yet no indication that the Guaranteeing Union will supply the type of association necessary to fill the lacuna." In a very similar strain, the Registrar of Bihar and Orissa, who evidently has a strong leaning in favour of "Guaranteeing Unions," reports: "The idea has not yet captured the imagination of our societies, because they appear to feel that they have enough to do in guarding against the dangers of joint liability in their own society without incurring additional risks." "The view," so Mr. Collins adds, "is of course superficial, but still it is clear it will be some time before these unions catch on." That, of course, remains to be seen.

There is marked shyness also in Bengal—and there was, until last year, when a favourable effect was noticed, in Bombay. And from Madras Mr. Swamikannu Pillai Avergon reports "Guaranteeing Unions" to be still disliked, even after unlimited liability—which at first was a fatal stumbling-block—has been discarded. "The sufficiency of the security given by borrowing societies," so he says, "is probably the reason why unions are unwilling to give further security by way of guarantee." They are right. And societies elsewhere should make it their aim to provide for the same "sufficiency of security." The security given by borrowing societies should be sufficient. If it is not, it ought to be mended up to that point. Where "Guaranteeing Unions" are welcomed as a help, I apprehend that it may be on the same ground on which in Belgium under the late Léon d'Andrimont, the founder of Belgian Co-operative Credit, Unlimited Liability, as borrowed bodily from the German model, was accepted without demur, because members failed to understand its meaning. When in one such Belgian People's Bank after a time the proposal was made to *limit* liability to twenty-five times the value of the share, members cried out in alarm that that would be far too much, that they could never undertake so large a liability. And yet, up to that time they had, without being aware of it, been liable for all that they possessed.

At the annual Co-operative Conference in the United Provinces, the Registrar of the time, Mr. Chatterjee—a man who threw heart and soul into his work—gave a most eloquent and eulogistic account of "Guaranteeing Unions,"

which he had shortly before been to study in Burma. They were accordingly put to the test at once with glowing hopes. However, in his annual Report of 1917 we find Mr. Chatterjee's successor, Mr. W. D. Willoughby, writing as follows : " The year has been fruitful in instances of the defects inherent in the small Central Bank, as will be seen later. We are not much nearer solving the problem of replacing it. The Guaranteeing Union has not yet been tried on a scale from which any conclusion can be drawn. One such union is working in Bijnor and working successfully, but its establishment was not really necessitated by difficulties of supervision of finance, and it does not relieve the district bank of anything except some of the risk of finance. Inspectors were instructed to keep in constant view the possibility of organising unions of this type, but conditions in which their establishment was possible do not seem to have presented themselves. The survey of the Rasti societies has been concluded and three nuclei have been selected for the establishment of experimental Guaranteeing Unions. There is as yet no indication that the Guaranteeing Union will supply the type of association necessary to fill the lacuna." In a similar strain Mr. Langley, when Registrar in the Punjab, wrote : " The weak point about the unions is that, just as in the village societies, most of the work is done by the President. It is the exception to find any other member exerting himself." And this is what Mr. J. T. Donovan, Registrar in Bengal, reports from his province : " The work of the Santhia Union in Pabna has always been unsatisfactory and the constituent societies applied to my predecessor to have it closed. Its existence was deprecated by those for whose benefit it was brought into existence. . . . It may be noticed that the affiliated societies of this Union pleaded, when asked, for its dissolution, that hitherto *they had not fully understood the liability clauses in the Union by-laws and that they were not willing to be responsible to the Central Bank for other societies.* The Union has not yet been closed, but the Circle Inspector has recommended that its work should be immediately stopped."

In Co-operation no one should be allowed to make himself liable beyond what he can himself control. Centralise finance if you choose, but decentralise responsibility! Do not shirk trouble! Elbow grease is your equivalent for the

pledgeable security which the capitalist can give, but which you yourself do not possess. You must not grudge it. *Ex nihilo nihil fit*. Inquiry and vigilance in each case are your only safeguards.

I hope to see "Unions" multiplying in India—but as *supervising* Unions, to be eventually merged into larger Unions, of the European type, after which they may remain in existence and continue to do admirable work as sub-unions, a most useful category of organisations—just as the present "Central Banks"—useful in all cases, and under present conditions absolutely indispensable, are likely to continue, although eventually brought to play only a secondary part under Provincial Banks, once such become well established and strong. You can scarcely centralise finance too much in the sense of providing clearing and intercommunication. The lakhs of rupees that our British co-operative distributive societies possessed in their separate cashboxes have become an incomparably more potent financial instrument to work with, of immense benefit to the movement, since they have become merged in the crores of the great Banking Department of the Co-operative Wholesale Society, which acts as the societies' banker, leaving them free still, all the same, to exercise unfettered their useful activity within their own local sphere, not hindered, but rather strengthened, for the purpose.

Such local autonomy is essential, if societies are to remain co-operative. To what lengths unchecked fancy for Combination may carry enthusiasts is seen in the suggestion made by one superardent champion of Centralisation, to the effect that societies should actually be compelled to "squad" themselves willy-nilly into "Guaranteeing Unions," the "Guaranteeing Unions" in their turn to be brigaded together under "Central Banks," and the whole phalanx so brought together to be commanded by a Provincial Bank as Generalissimo. Now this is Centralisation run wild, a veritable caricature of Centralisation. Local societies are to have no choice, no discretion, no free will of their own. Into the "Union" they must go—unless indeed the "Union," on some ground or other, right or wrong, reasonable or unreasonable, chooses to reject them—in which case they are *ipso facto* to cease to exist. And so into Central Banks. It is all to be impressment and Prussian office rule.

To what friction and conflict, what intrigues and *patti bickering*, would that not open the door! It would in truth sign the death-warrant of the Indian *Co-operative* Movement. No such thing, nothing coming at all near it, has been heard of even under the Russian Tsars. And what few instances we have of anything even only remotely resembling it certainly cannot serve as a recommendation. Under a rule of such principle, watered down ten or twenty fold, in Russia, Co-operation would not develop. I have already instanced the case of the French *Crédit Agricole*—which is very domineering within its own boundaries, but which leaves Frenchmen absolutely free to form whatever other co-operative organisations they may choose. Union is good, and Centralisation is good in its place. However, once more I would urge : *ne quid nimis—surtout pas trop de zèle!* In planning organisation boldness is a merit. But it does not want to be carried to excess. Let us keep our societies their own masters, above all things masters of their own liability! The author of the proposal referred to points with apparent admiration to the case of Hungary, which somehow has by means of exaggerated spoon-feeding acquired a reputation in matters of Co-operation for Agricultural purposes that it does not by any means deserve. He quotes from Count Mailath's paper read at our International Congress at Budapest in 1904. But I can tell him that at the close of that Congress the Hungarian spokesmen explicitly thanked us, of the International Co-operative Alliance, for having shown them that they had carried resort to State help and magnate domination *too far*. And Herr Haas himself, violent advocate of State interference that he was, owned privately to me, during the Congress, that what he had seen of Hungarian Co-operation had not satisfied him. A "co-operative" gathering in Hungary under the existing system is, in fact, like a village school meeting, in which the master lays down the rules, which the assembly meekly accepts. Nevertheless, even in Hungary magnate rule still leaves people free to join magnate-ruled societies or not, as they please, and to join other Unions, such as actually exist—Schulze Delitzsch Unions with absolute freedom in Hungary proper; an excellent Raiffeisen Union in Transylvania and very vigorous Slav Unions in the *Antemurale Christianitatis*—that is, Croatia.

In India you already labour under the disadvantage, in comparison with other countries, that the driving force behind your Co-operation is not the free initiative of men of distinct "schools," like Raiffeisen, Schulze, Luzzatti, d'Andrimont, Viganò and so on, each of them bent upon pushing his own views with all vigour, but a movement promoted from "above," with paternal benevolence, without much preference for any one system or other, accordingly with less steam at the back of it. In one respect that may be reckoned an advantage—an advantage such as, under J. C. Gray's intelligent General-Secretaryship our British Co-operative Union has learnt to appreciate. Although in the main distributive, and productive only in a sense ancillary to Distribution, that Union would now have *all* the various forms of legitimate Co-operation represented in it, while allowing societies free scope in all their internal arrangements—even to join the Co-operative Wholesale Society or not—as they might please. I myself have laboured for such full and free comprehensiveness in a still wider sense in the International Co-operative Alliance. However, whatever the merits of such comprehensiveness in a larger collection of co-operative organisations may be, it cannot in any one organisation replace that pushing force of propagandist zeal which the adoption of one particular code of co-operative principles carries with it. With all that, I prefer it in the one shape in which it is usefully practicable—that is, as a tolerant organisation.

However, toleration is the one thing which our Indian proposer of a new system of organisation will not allow. Societies are to be *made* to join Unions, Central Banks, and so on. And the whole movement is to be clothed in a tight-fitting martinet uniform, with the old stiff black stock, the pigtail and the rest of it retained, and exclusion as the one alternative to passive submission—which submission, being passive, is not likely to represent much value. If these are to be "thy gods, O Israel," you had better turn away from them.

There is no Co-operative Movement possible on such lines. The very first condition necessary for true Co-operation is that it should be free, leaving people free to join, free to go out, free to accept liability, free to refuse it, free to accept one programme, free to accept another, free

to co-operate on wider lines, free not to do so. There can be no compulsion in Co-operation, except for a member to carry out the duties freely accepted. All sections of the Co-operative Movement ought to be brought together, so far as that is possible, for common action.

Nowhere, surely, is Union in Co-operation more required than in India. One may hope to see "Unions" growing and multiplying—but it must be Unions for Inspection and Supervision, for Common Counsel, Discussion and Propaganda, clustering together, let us hope, in larger Unions still, so as to form in course of time a veritable Co-operative Commonwealth, such as we have in the United Kingdom. Central Banks, likewise, one should hope to see multiplying, and growing in strength and in influence, but rather as paving the way for the superior government of Provincial Banks—with, it may be, an All-India Bank at the top of all, since already occasion appears to have arisen for inter-provincial business. However, each form of combination should be left to do its own business independently. *A chacun son métier, et les vaches seront bien gardées.* According to Macaulay's simile, "pianomakers should be left to make their pianos and bakers to bake their bread." So we shall have a well-regulated and what the Scotch call a "well-kempt" movement—but in the same way in which we got them together in the International Co-operative Alliance, which explicitly declined to interfere in the internal matters of any organisation joining it—in the same way in which we are in political organisation now forming a British Federation, which leaves full self-government to all its parts, but knits them all the more closely together for common action by common interest.

It is *principle* and *common interest* which must lead societies into Union, of their own free will. On the European Continent, where there are different systems, we have Unions composed of adherents to this or that system. There are Schulze Delitzsch societies, Raiffeisen societies, Haas societies, Roman Catholic societies, Peasants' Unions and so on, all independent of one another. But there is no reason why they should not in essentials work fraternally with, and mutually support, one another. In the United Kingdom things are rather different. We have one "Co-operative Union," which societies are free to join or not as

they please. There are a good number which have not joined. At one time it looked as if the comparatively small cluster of productive societies might have to go out. They remain in—to a certain extent on sufferance. However no one denies them the right of free existence. In the “Union,” they are free to buy where they like, to bank where they like, to maintain what rules they like. The Wholesale Societies are there to welcome them in and serve them, their Banking Department is there to do their banking for them. Compulsion is completely absent. It would spoil the principle. Surely Indians are not so different from other folk as to require to be put into strait-waistcoats and made to do what their own inclination rejects.

VII.

NON-AGRICULTURAL CREDIT

IN a country, the overwhelming majority of the population of which supports itself by Agriculture, it was not to be expected that the non-agricultural form—so to call it—of Co-operative Credit would develop to anything like the same extent, or make its way so rapidly as the agricultural. I accept for the occasion, for convenience sake, the officially approved distinction between “agricultural” and “non-agricultural” credit, although it is apt to mislead, and has in point of fact in India led to not a little confusion of ideas, just the same as has that between “rural” and “urban” improperly introduced from France. There is just so much justification for the distinction, that that particular form of Co-operative Credit which has rightly been generally adopted for practice among the rural population is practicable only amid rural surroundings, inasmuch as, together with a smallness of membership such as it would be difficult to maintain in populous centres—where, moreover, it would be out of place—it requires as precedent conditions general fixity of the population on the soil, such as is only to be met with of a certainty in rural districts, and very close touch among members, such as likewise is an exceedingly uncertain quantity elsewhere. However, that does not imply either that the other form of Co-operative Credit known is not applicable also amid rural surroundings or for agricultural purposes, or that only persons agriculturally employed should form part of that actually adopted. Country districts have their artisans as well as towns, to whom presumably credit would be a boon, but who would not by other means than that of joining one of the agricultural credit societies have access to it. And it is not by any means the occupation of a man which marks him

out as a fit subject for either one or the other form of Co-operative Credit, the distinguishing feature forming the dividing-line between which is the form of liability selected. There is in practice too much distinction made between different callings. In truth, it may be accepted as a general rule in Co-operative Credit that the more mixed is the component membership, the broader accordingly is the basis on which wants and offerings present are made to meet, the more stable and the more easy to manage will the society be, because in such a society wants and superfluity dovetail into, and more nearly balance, one another than in one confined to only one or a few callings. A telling instance of this, specifically with respect to the Raiffeisen type of organisation, which is so generally accepted in India for rural districts, occurred some time ago in the Alpine district of France, in Louis Durand's "Union of Rural and Working-Men's Societies," organised on pure Raiffeisen lines. The farmers organised were owners of herds which are annually replenished to some extent with the help of borrowed money—and driven up on the Alps for their summer pasturing, to come down again for wintering in the autumn, when the culls are sold. These farmers were all good men. However, their business requirements were such that at one season deposits would come in from them in embarrassing abundance, whereas in other seasons money was asked for—to buy cattle with—beyond what the society could supply. Something similar, only on a larger scale, had occurred previously in the French Nivernais, where the fine Charolais cattle are fattened on the luscious pastures of that fertile district. In that case the Bank of France met the difficulty by non-co-operative means, but likewise by the use of credit, which helped the farmers not a little and brought the Bank in a fat little profit. Durand induced the Alpine societies to broaden their basis and take in others besides men of their own calling, which move at once rectified the matter, and created a balance. On the same ground it is not altogether desirable that one-class credit societies should be formed, such as Continental European Governments advisedly favour—from not by any means purely altruistic motives—among distinct classes of tradesmen, who are by such means to be kept under Government influence, away from the dangerous inspirations of

Liberalism. What we meet with in India—namely, societies composed exclusively of members of a public or municipal service, or of one or other industrial or commercial establishment—is far more excusable, although it still does not correspond to the ideal conception. If it were a distributive society, there would be absolutely nothing to object to in it. And it is excusable also on the ground that in point of fact its doings constitute rather provident than co-operative action. The idea of depositing is at least as dominating in such societies as that of occasional loans. In Great Britain we have found societies of this sort in the public service distinctly convenient and exceedingly useful. For in one prosperous Civil Service Provident and Credit Society I found that, thanks to combination among members, advances might be obtained from banks by pledging *the very same securities* at a very considerable reduction of the rate of interest to what had been demanded for advances to an individual. It was a matter of 5 or 6 per cent. difference. The pledge here referred to was good securities such as well-established railway debentures. Administration of such societies is easy and risk is infinitesimal because, in view of the position of the members in the public service, in which they are on their good behaviour, so that bad conduct might mean for them “the sack,” compliance with the duties undertaken is readily obtained. The rendering of such is not absolutely as certain among men in employment in factories and commercial houses. However, in the case of such men likewise there is still a moral pressure from colleagues to be relied upon with a fair amount of confidence, to hold them to their duty. In India, unfortunately, the same condition of things does not appear to obtain. For we have it on evidence that, at any rate in some cases, members of the *kutcheri* have been found distinctly unreliable repayers. “They will not repay,” as one witness has put it. That ought not to be allowed to continue.

The point mainly to be borne in mind is that a varied composition of membership, implying a variety of wants, asserting themselves at different times, and bringing back money likewise at different times, is really the ideal condition of a credit society, whether it be rural or urban. Convenient disposition of ebbs and tides of money, dividing these so as, as nearly as possible, to make them balance one

another, is a standing rule of all well-managed financial establishments, and should be observed as such also in our credit societies. A late Comptroller of the National Debt one day showed me with what meticulous care and minute forethought his Department manages this matter, distributing payments and receipts so as to necessitate the least holding of unemployed cash, and to make inflow and outflow balance—without which the business must be unmanageable and, moreover, extremely costly to the State. So far as is possible, administrators of credit societies should do something of the same sort.

I have thus far referred to only one form of Co-operative Credit, for which rural surroundings are imperative, and which accordingly has gained a sure footing in India on rural ground. The other form is, however, in its application by no means confined to urban or densely populated districts. It is applicable anywhere where conditions are otherwise favourable—that is, where money is wanted and “capitals of guarantee” are scarce. To quote instances, I have seen more or less orthodoxly formed Raiffeisen societies in country districts in the South of France deliberately turn themselves into Luzzatti banks because local people somehow would not take to the Raiffeisen system. Something of the same sort is now going forward in Ireland. The Raiffeisen system has there rendered admirable service. However, to a certain extent it has done its work. People who have profited by it are better off now, and can afford to take up shares. Their business also has become more brisk. Their borrowing is not only once in a long while and for a “dead” loan running for a long period. It is frequent, and much of it for short periods. Accordingly in such districts people are now turning their thoughts to the formation of societies more or less on the Luzzatti pattern. In England—where the whole thing has been badly mulled under incompetent guidance, partly official and partly squirearchical—my impression is that even in country districts the limited liability form of Co-operative Credit will be found the more acceptable. People have been so broken in to limited liability action by their Stores and their societies for the purchase of agricultural requirements. And there is no reason why they should not organise on such lines.

I, however, in the present instance dub the Credit now to be spoken of as "non-agricultural," because, naturally, I have in the foregoing chapters directed my attention almost exclusively to Agriculture, the present wants of which, declared at all points—which wants Co-operation, and probably only Co-operation, is qualified to satisfy—in point of comprehensiveness and urgency far surpass those of other callings and really constitute the predominating motive for Indian resort to Co-operation at all.

Non-agricultural Credit appears, as already observed, thus far to have found its way into Indian economy mainly, although not exclusively, in the shape of single-employment societies, above all clerks' and employees' societies. We read also of societies formed among small tradesmen and jobbing working folk such as ekka-drivers, ubbarvuri, salt-loaders, fishermen, scavengers, sweepers, rickshaw wallahs, etc., some described as "the most degraded class of wage-earners." All this appears to me, writing at a distance, to be rather of a provident than a co-operative character, representing an employment of money laid by in the shape of deposits for loan purposes rather than what the Americans call "merchandising with money" (or, in this application, with security for raising such)—raising funds outside, on the strength of the capital or liability at the society's command—acting, that is, like a bank, which borrows from others in order to lend. All this is not only legitimate, but perfectly proper. And we find a deal of it in operation abroad—more particularly in Italy, under the shadow of M. Luzzatti's influence, where employees, schoolmasters, members of the musical profession and similar categories of persons club together, as in Slate Clubs or Loan Societies, to assist one another, making the economics of all subserve in turn to the wants of any particular one who may stand in need of such help. But such collaboration does not produce much of a productive force; it has not much economic effect upon the country; it does not stimulate trade; and its educative effect is next to nil. And, seeing what prodigious results Co-operative banking of a non-agricultural character carried on on a bolder scale has produced in Europe—more particularly in Germany, Austria, and Italy, where the movement is strongest—one cannot help thinking, with Lord Carmichael, who has publicly expressed himself to

that effect, that in a country like India, which for the moment is not over-banked, but in which industrial effort has actively roused itself and is manfully struggling upward to shake off its fetters and become a useful national force, sooner or later pushing small trade and small commerce should discover the substantial assistance which is to be got for it from Credit co-operatively organised, so as to place those funds within reach of the striving workman without which he cannot hope to succeed, but which now he cannot obtain the free use of for want of capital of his own to serve as guarantee.

In truth, one cannot help regretting that thus far so very little attention should have been paid to this application of Credit. It seems to have been treated as a Cinderella. I am sure that the Registrars are not in fault in this matter. Probably they could not, amid their many engrossing occupations, find time to do more. But it is painful to read what Mr. C. F. Strickland, Assistant Commissioner in the Punjaub, writes in the *Agricultural Journal of India*. "The progress of all industrial societies," so he writes, "has been hampered by the employment of the Industrial Inspectors in Agricultural Societies. . . . I think the position of the industrial societies would have been more satisfactory if the Inspectors had taken pains to learn the elementary principles underlying industrial Co-operation." That judgment, although severe, is probably not unjust. India does not appear yet to have got the "grip" of the industrial co-operative problem. Agricultural Co-operation has overshadowed industrial. And no doubt war-time is not a favourable season for the development of industrial activity apart from ammunition-making.

The subject of Co-operation in connection with what are technically known as "small industries"—in which the want of credit is probably most felt and which, as one would think, constitute one of the greatest hopes of India—as a matter of *industry* will be discussed elsewhere. Suffice it here to point out that, just the same as small Agriculture, without the use of Co-operative Credit, which secures cash to the honest and trustworthy worker who has none, such small trade—for the development of which there appears to be almost unlimited scope—must be hopeless. However, we need not draw the line limiting the utility of Co-operative

Credit too low down. There is plenty of trade, not of the cottage industry type, trade which does not—like the cottage industries—need to be organised industrially for the prosecution of its calling on co-operative lines, to which Co-operative Credit would prove as great a boon as it has proved to the small traders of Germany—on the remarkable benefits produced in which country to this class Sir R. Morier reported in glowing terms to our first British Co-operative Congress in 1868, and the business of which now runs into crores and crores, and acts as a truly marvellously fertilising stream, moistening soil which not many decades ago appeared barren.

It may also not be amiss to call attention to the use made of Co-operative Credit by traders in France, where—in the absence, practically speaking, of such active and powerful Co-operative Banks of a mixed composition as Germany can boast in plenty—co-operative societies of tradesmen have formed their own Co-operative Credit banks, to supply their member-societies with Credit. Co-operative productive societies are comparatively strong in France and take particular pride in their existence, which they trace back to the time of the second Revolution. They do not turn out more work than productive societies do in Great Britain, but they enjoy greater prestige in the Co-operative World, because the distributive societies are not nearly as strong or as much in evidence as our British distributive societies. And the connecting-link being wanting, which has happily in our country brought societies of various forms into close fraternal fellowship, they form something of a co-operative world of their own. With plenty of “go” in them, these societies—some of which began with collaboration of labour only—from an early hour felt the need of credit, to provide the means for their carrying on independent business. Unfortunately Co-operative Credit of a non-agricultural character and of a general kind is very poorly represented in France. People are so much accustomed to look to “the State” for assistance, with money or otherwise, that private initiative shows little force and self-reliance is only weak. Barring the two co-operative banks severally of Mentone and Lorient in Brittany, there is extremely little to show in France of industrial Co-operative Credit institutions. And the People’s Bank of

Mentone is, as has already been shown, not altogether of a truly co-operative complexion. It caters a great deal for large hotel keepers and commercial houses, but I have on inquiry found the local tradesmen shy of it, as being too "big" and pretentious for them. The bank of Lorient operates in the main for the local fishermen and does good work among them—on a smaller scale and of a rather fluctuating character. When I say that elsewhere in France Co-operative Credit is little developed, I do not mean to imply that on a reduced scale it does not render very useful services, which are duly appreciated by small folk. Artisans find them extremely serviceable in advancing them money for the purchase of tools or raw material and yielding to small folk the same grateful assistance which I have instanced elsewhere—the poor woman receiving there the money for buying the sewing-machine which will earn her her living; the hawker borrowing from the bank the money wherewith to purchase, by instalments paid week by week, the barrow in which he hawks his wares; the small silk-spinner who pledges his cocoons while spinning his silk out of them, and more such like. One would think that there ought to be room and scope for services of this kind also in India. But generally speaking in France, under the influence of habitual looking for spoon-feeding, all this is only little developed. Accordingly the pick of the French productive co-operative societies some decades ago made up their mind to face the matter and act for themselves. Both in Paris and in Lyons they have formed *Banques Ouvrières* (Working-Men's Banks) of their own. The bank at Paris is by far the strongest. But that is in the main owing to the happy windfall of some Rs. 300,000 left to it by a philanthropic gentleman of the name of Moigneu. The societies had not been able to scrape together among themselves more than about the tenth part of that sum. Their co-operative stamina have been not a little weakened by the financial assistance which of late years the State, for political purposes—since working-men have votes, and the co-operative vote tells at the polls—has rendered them rather freely. But certainly they have found the services of their Bank a very substantial support in their various undertakings—some of them of a very ambitious character. It would have been far preferable, of course, if those

societies had had powerful mixed banks like the German to fall back upon. They would have been in a position to do much more for them. And their self-help would have remained pure. However, they found the locker bare and had accordingly to look for bread where they could find it.

Talking of Co-operative Credit such as is adopted for industrial purposes, we shall have to bear in mind that Co-operative Credit organised for such purposes is rather a different kind of Credit from that which we are so familiar with from its application among rural folk. It rests on the same foundation. The underlying principle is the same. However, its practice is necessarily accommodated to its own environment. In the case of the small artisan or employee, who will need a small loan only occasionally for some exceptional, special purpose, the office and utility of the society remains much the same. And so should its mechanism remain unaltered. However, when we come to that small trade which ought to lead a busy existence, with money coming in and going out, to which a Co-operative Credit society is to serve as the commercial bank or the bill-broker does to the commercial man or manufacturer in a larger way of business, the case becomes essentially different. Such a man's credit business will not necessarily be as slow or as long-termed, as widely staged off and calling for as much patience, as the raiyat's. Such a man may want his money, be it in large amounts or small, far more frequently, very promptly, cheaply, of course, but not nearly for as long a period. His account will, and ought to, be, what is called a "live" account. Now for such business the troublesome inquiry in each particular case into the object of each particular loan would be manifestly a crippling hindrance, and that not only to the borrower but also to the lending institution. And it is not necessary. To the small shoemaker or ekka-driver, or a similar artisan, it means nothing. In his case it is essential that there should be such inquiry, that the borrower should be specifically pledged to obey precepts, and that he should be watched, as a means of preventing abuse. To the busy tradesman it would mean a clog. And the committee which is to apply such interrogatory and exercise such minute vigilance is likely soon to wish the whole apparatus to Jericho. It will be enough if the managing body of the society can satisfy itself that the

credit will be generally employed in the way for which it was intended, for productive and self-repaying purposes, with discretionary power left to it, wherever a case may appear doubtful to it, to employ the more rigorous, inquisitorial process. That shows how much more important it is to have a properly constituted Supervising Council in such a society than even in agricultural societies. And one is glad to see that in Bombay Presidency, where there is an active organising power at work, a beginning has actually been made with the addition of a Supervising Council to the administering *panchayet*. In such connection indeed one cannot see how any really active society—or “People’s Bank,” as these societies have come to be called—can exist, for any length of time or without great risk of loss, without such Supervising Council, for which in truth there will be not a little to do, once the business develops as it should do. For in proportion to the business expanding, becoming more brisk, lively and varied, the office of the *panchayet* will become less discretionary and more purely administrative. In such connection the *haissiyat* will be fully in its place. And so will be the guaranteed cash credit—a cash credit running from year to year, secured, of course, whether by promissory note or otherwise, certainly by an adequate number of sureties—placing funds up to a certain figure at the disposal of the member—always provided that he fulfils all his engagements and conducts himself properly. For in the case of misconduct or failure to fulfil his engagements, or to employ the funds borrowed in the proper way, the society must have means at its disposal for promptly stopping the credit. German Co-operative Credit Societies for this purpose employ promissory notes undated, drawn by the borrower, running on and on at the Society’s pleasure. When they want to stop the credit, they simply fill in the date and present the note. Now the preparation of the *haissiyat* cannot be the work of the *panchayet*, but wants to be given in charge to a body like the Supervising Council already spoken of, or else to a special “Committee of Credit,” nominated for the purpose—that is, a body brought less into direct personal contact with possible applicants and in a position to judge of their merits at greater leisure, under less pressure of other work, in judicial seclusion. That shelters the *panchayet*. It makes things

safer. And, indeed, as societies grow large—we have not come to that point yet in India—and their business, and the business of their individual members, grows, it will be well to have other records still of business besides the *baissiyat*—records of “risk,” as the Italians term them—showing what has been the conduct of members in past transactions and also of their sureties, whether such be members of the society or not, in order that a judgment may be formed as to their presumable further trustworthiness. A society operating with such small funds as we must suppose a Co-operative Credit society to have at its disposal wants to be assured in such a way as it can, at all points.

The *baissiyat* should not be based, as appears to have become the custom in India, upon a man's actual possessions. That is the way in which a capitalist institution would operate. The co-operative institution wants to apply a different test: what is the man “worth” in point of character, what is his trustworthiness, as judged by his neighbours who know him, and also what is the volume and remunerativeness of his business? That is what Schulze meant by that peculiar term, which sounds so uncouth in English and which, I see, has found its way into India co-operative terminology, the word “creditworthiness” (*Creditwürdigkeit*). Only unfortunately our Indian translator appears not to be quite clear in his mind as to the distinction very carefully drawn by Schulze between “deservingness” and “capacity for credit” (*Creditfähigkeit*). The man who is *creditfähig* (has a capacity for credit)—that is, possesses material qualities to entitle him to credit—is not necessarily also *creditwürdig* (deserving of credit). A man may be very poor and yet “creditworthy.” It is to determine the measure of his possession of that quality that a “Committee of Credit”—in certain cases a Supervising Council discharging the functions—is called upon to act. That is a very responsible office, requiring a knowledge of members' positions and doings, not a matter to be dealt with offhand. (Wherever the district is large there may be local committees or local advisers to assist with their opinion and supervision.) The *panchayet* could not discharge that duty along with its administrative work. And it would not be fair to expect it to do so. The *panchayet* wants to be told in plain words, in such cases as

are brought under the *baissiyat*: supposing that all appears to be square and in order, you are authorised to trust A, B, or C with such or such a measure of credit. Accordingly the Supervising Council wants to be elected with discrimination, so as to make it consist of men enjoying the confidence of members generally.

And, credits being dealt with in this more commercially businesslike way, the business done will also have to be more carefully reviewed than in the case of small rural credit societies, by the same Council. The larger the society grows, the more supervision and division of labour will there have to be.

The Act of 1912 appears to presume that Credit Societies of the non-agricultural order will be formed with limited liability only. And so do I. As for them limited liability is unquestionably the most appropriate form, especially if the shares be intended to be very small. Unlimited liability is practicable—as we see by its actual adoption and great utility in the majority of societies of the Schulze Delitzsch type in Germany and the smaller, but most powerful, élite of societies of the same type in Austria. Only, when liability is unlimited in such application, you should have rather substantial shares, to make things safe. Schulze would not willingly allow shares under about Rs. 370, but preferred them larger still. As a matter of fact there are many societies in his Union with shares down to about Rs. 225. But even that must appear to us a rather substantial figure. Shares there must of course be in any case, since liability is limited. In Italy, under M. Luzzatti's system—but it is really the law of the land which limits the amount—there are no shares for a higher amount than Rs. 60. However, members may hold more than one share, up to fifty of that highest denomination. But I know an excellent small folk's society operating over a wide area with excellent results, which has shares of something less than Rs. 3—that is, 5 lire. Where there is less security given in the shape of capital, the measure has to be made up by caution in action and vigilance in supervision. There is no limit to operating districts necessary in societies such as are here contemplated, of the limited liability type—none except such as consideration for the convenience of the society management may prescribe. Limitation of liability doe

away with the necessity to start local limitations. And there is no occasion whatever for making members leaving the district to resign or else forgo the services of the society—which services ought, as things develop, to become equal in variety to those of any commercial bank. The variety exhibited by such societies acting as banks, both in Germany and Italy is not altogether approved of; but it is readily to be accounted for by the fact that when the Co-operative Banking Movement began in the two countries, in Germany there was a decided paucity of banks, and in Italy, if banks were not precisely few in number, banking practices were extremely behind time—a wonderful fact, considering that of all countries banking found its birth in Italy. However, so it was. In both countries the Co-operative Credit societies have been active and most useful pioneers of more modern practices, more particularly leading the way in Germany to the interconnection of banks at different points, which has since been so generally adopted and has paved the way for amalgamations, proving meanwhile a very substantial convenience for business. It was the Co-operative Banks which introduced the use of cheques—still worked there in such a bungling, primitive way—in Germany. It is they which began the mutual free collecting and advising business, so that a man may have his bills cashed free at some hundreds of other places and can learn about the trustworthiness of intending customers at a far distance. There is now in fact no sort of banking transaction which the Co-operative Banks of this type will not exercise. In agricultural credit societies that would be wholly out of place. But in “urban” societies—so to call them for once—it seems right and fair. And there is nothing in it which need frighten larger banks, so long as such are prepared to do the same thing on their own larger scale, since in India certainly—just as in the United Kingdom—Co-operative Banks could be expected to cater in such matters only for small folk with small means.

There can be no temptation among societies of this type to form “Guaranteeing Unions.” Union there should be, but on a larger scale and for other purposes. And the societies will probably gain by the existence of “Central Banks,” to which they might well be affiliated without a special new order of Central Banks being created for the

purpose. People in India appear to think habitually too much of Central Banks as essentially superior officers in the agricultural banking army, which they ought not to be, at any rate, permanently. Their rôle is quite clearly marked out by the requirements of the case. They are to serve as balancing-centres and clearing-houses for Co-operative Banks, whatever their type, and tapping-channels whereby to draw upon the outside market—transformers, so to put it, such as in electric machinery convert high-tension current into low—in other words, which assimilate the needs of Co-operative Credit societies to commercial banking practices outside, with one Janus face turned towards Co-operation and the other towards Commercialism. According to the transaction to be performed will one door of the temple be open or the other. Now no Co-operative Credit societies are more likely to have occasional use for additional credit from outside than those operating for Trade, as distinct from Agriculture; because the fluctuations in their business are larger than in the business of agricultural credit societies. They are as a matter of course directly and greatly affected by the fluctuations of general trade. India does not probably yet stand at all near such development. That will come with the development of business.

In India we are still only on the threshold. Until business begins to come in anything like good earnest, transactions are likely to be only small and to continue so. But we shall want to have the organs for more highly developed transactions ready, at any rate in germ. And in times of violent fluctuations or in early years of meagreness the help of Central Banks is likely to prove as useful to credit societies of the non-agricultural order as of the agricultural. That appears to open out an ambitious prospect for the future. But indeed Co-operative Credit applied to trade and commercial and industrial purposes may still have an important rôle to play in the future economic development of the country.

In the *Economic Review* of October, 1905, I called attention to the powerful effect which decentralisation of banking operations, to a great extent effected by means of Co-operative Banks of the type here spoken of, has had upon the economic development of Germany. We have seen the result lately, during the war, in the remarkable equipment

and enduringness of German trade and finance under trial. There has proved to be enormous wealth accumulated in Germany—wealth produced by trade, much of it small—wealth not all lumped together in those giant establishments favoured by the State, which strike the eye and which produce manufacturer princes, but very, very much small trade scattered all over the country, distributed like rills of water in an irrigation system, which reach every furrow and bring grateful moisture and fertility to every plant. In the same way decentralised institutions carry the fructifying material of gold into millions of channels with millions of credits thoroughly mobilised—gold, as it happened then, drawn to a very large extent from our home country, and for which without such an apparatus for decentralisation we, lumping up all our cash in Lombard Street and Threadneedle Street, to our cost, had no use. I told the tale by the light shed upon facts in an official Report given by the Imperial Bank of Germany in its Jubilee number publication, celebrating the conclusion of the first quarter of a century of its existence as an all-German institution, by the name of “Die Reichsbank, 1875-1900.” We had had no use for our money because, as I have said, we lacked the means for applying it. So we lent huge sums to the Germans, who possessed such means—among other institutions in the shape of their Co-operative Banks—and who turned it to excellent account for producing more German wealth—and fighting us with our own gold in our own industries. The fact that it was *our* gold which did the work, and the use of which we despised—as we did the possession of Java, when we had it, and of Lourenço Marques, when it was offered to us for a song before the Boer War—is provided in the tale of the “Reichsbank” quoted. That gold had flowed to Germany in streams since 1895. In that year I found the German Co-operative Banks overflowing with money—so seriously embarrassed that some of them stopped instalment payments on their shares and refused to take further deposits. However, 1900 came, bringing with it the South African War and its many needs, which then appeared to us enormous though in comparison with what we have had to spend lately they really appear, as Mr. Chamberlain at the time called them, a mere “fleabite.” Needing our gold for that purpose, we called in what we

had lent to Germany—and Germany felt the withdrawal, as the Imperial Bank admits.

Ought not that to be a stimulus to us to resort now at length to the use of that very same “perfected implement” which has shown its capacity for producing such veritable wonders? Concentrating finance in the sense of collecting its force as in a great reservoir supplied with channels through which water may be discharged and carried in millions of rills to the spots requiring irrigation and fertilising is an admirable thing. We ought to welcome and support that. It makes money go ever so much farther. However, its utility is absolutely dependent upon the presence of those distributing channels. You want to be able to draw upon that national reservoir. For there is no rice field which will be one whit the better off for the water remaining in the great reservoir. The water wants to be at the roots of the plants. Centralisation of possession wants to be balanced, and well balanced, by decentralisation in use. And in that application it is Co-operative Banks which decentralise most effectively and most beneficially, carrying the gold to just the points on which, in small trade, small agriculture and small commerce, it will fructify best and produce the largest results by operating at the base of the great social pyramid, where its beneficial power affects the largest number of social particles and becomes mixed to the largest extent with the second, quite indispensable, factor of production—intelligent labour.

Italy likewise has a tale to tell of progress made, prosperity achieved, by democratised, decentralised banking. A visit to its cities and townlets now proclaims the fact. But I will give here just one proof of the remarkable change brought about. Some years ago I was warmly interested in the “Democratisation of Consols”—which has now, under the pressure of the great needs of the war, been effected and has proved a magnificent success. Six and eight years ago, however, all the world, except the late Lord St. Aldwyn, who supported me, objected. Even Mr. Lloyd George, who, as Chancellor of the Exchequer, owed to me that he did not see his way to getting over the difficulty of Income Tax. I then applied to the Italian Ministry of Finance, among other Ministries of Finance, in countries in which Consols were then already issued in small denominations and to bearer,

for information on the results. The Ministry obligingly caused a special inquiry to be made. And the result astonished it. It was found that issuing Consols in a form which made them accessible to the great public, including "the million," had, coupled with the means made available for earning much owing to the decentralisation of credit, resulted in a great change in the holding of the National Debt which, from being a claim predominantly held against Italy by foreigners, had become converted into an asset held for by far the largest part by Italians. The "million" had, with the use of decentralised credit, made money and bought up those Consols from the foreigner. It was a true word which Jules Simon spoke when he wrote: "*Le plus grand banquier du monde est celui qui dispose de l'obole du prolétaire*," which means, "The greatest banker of the world is he who disposes of the proletarian's mite." There is magnitude in numbers. It is drops which make the ocean.

While such grandiose results, which tempt the imagination, but are not purely its creation, remain in reserve for the future, there is ample useful work of a humbler but no less valuable description in store for industrial Co-operative Credit societies.

Non-agricultural Co-operative Credit, as observed, is still lamentably backward in India. More is the pity. It is really only just beginning to rouse itself. One is glad to read of a more lively spirit stirring, as is reported, for instance, in the last Report from Bombay Presidency. But it appears to be stirring elsewhere also. However, one cannot help hoping that, as time goes on, what has already proved so useful a help to Agriculture and rural economy will find its way also into non-agricultural employment, assist in the development of small trade, come to the rescue of small folk desiring to establish stores with their productive annexes, serve as a further stimulus to thrift, provide employment for at present idle hands, assist such struggling crafts as fishing, and generally scatter the seeds of greater prosperity, emancipate from usury, sweating and fraudulent trade, and generally contribute to the raising of national well-being.

VIII.

GRAIN BANKS

EVEN before what may be termed the Co-operative Idea, as we know it now, had taken actual shape in the heads of those responsible for the government of India, before Sir F. Nicholson had been sent out on his fruitful errand of inquiry, and before I had gained the benevolent ear of Sir Charles Bernard on the subject of the best way to tackle the credit problem, it occurred to a philanthropic zemindar of Bengal, Rai Paravata Shankar Chaudhuri, whether he could not come to his countrymen's aid in their sore need in a simpler—which of necessity meant also a more primitive—manner than that which was subsequently adopted. I am anxious to put the matter in this way, because to Mr. Chaudhuri belongs the credit, whatever his organisation may now be thought worth, of having broken the ice and been the first in the field to dig a sod, instead of his device being regarded as a mere *ex post facto* alternative to credit given in the shape of cash.

Quite naturally Mr. Chaudhuri put his idea into the shape of an institution supplying grain in the place of cash. Grain is what the raiyat grows, sells, lives on, thinks and reckons in. Trading man in the course of his evolution generally began with an exchange of *goods*, by what economists call "barter," before he took to reckoning in coin. To the mind of the raiyat the seer of paddy is probably a more real thing than the rupee. He reaps his grain and sells it—because he *must* do so, to be able to pay his revenue kist and purchase his few necessities of life. Then comes the time when he wants his grain back. He sold it to the mahajan for money. He buys it back from the mahajan, and considers it a mercy that he can secure it at all, on the *siwai* system—if not at still greater cost to

himself, paying 25 per cent. for the loan, which is not cheap, considering the time, besides what he is often made to throw in as a supplementary gratuity, and apart from the loss which he may conceivably find himself exposed to, by fraud in measurement or by return of inferior grain.

Repositories of grain are institutions of very ancient origin. We have heard some men of archaic frame of mind clamouring for their re-establishment in the United Kingdom—for a different purpose from that kept in view by Mr. Chaudhuri. The patriarch Joseph stored grain assiduously as a convenient means of “stealing the common from the goose” in favour of his master. Italy has had its *monti frumentari*, and Spain its *pósitos*.

Mr. Chaudhuri was thinking philanthropically, not economically, not like King Pharaoh. And like our British co-operators, like Raiffeisen, and like his own forerunner in Japan, Ninomiya Sontaku, he thought of what Mr. Gladstone has called “man-making,” as well as, if not more than, “man-feeding.” So he surrounded his economic idea with a religious halo, placing his institution under the patronage of the Hindoo deity Lakhmi, and prescribing, in addition to certain ceremonies and functions to accompany acts of business, a rule of conduct for members of his intended society which, if one could only make sure of its being duly carried out, would conduce greatly to the improvement of mankind. The home for the proposed institution was by preference to be a temple—as in fact it is, to state one instance, in the village of Kodi, in the district of Belgaum, where the grain store has found a shelter in the temple dedicated to the local deity Shri Bhairavanath. If I read Mr. Chaudhuri’s explanatory pamphlet aright, Lakhmi is the deity of “Abundance.” Not to give offence to non-Hindoos, so he explains, he altered the name of his intended grain store from Lakhmi Gola to Dharma Gola. Naturally Mr. Chaudhuri drew up a set of rules—which do not err on the side of simplicity—in which good living—in a moral sense, virtuous, honest and pure—figures as the chiefest essential.

When in 1905—at a time when Co-operative Credit societies were not yet, but were just about to be formed—Mr. Chaudhuri opened his first Dharma Gola at Jayganj, in the district of Dinajpur, in Bengal, we read that there

were great rejoicings among the local population—and also in the press, as Mr. Cobden Ramsay has related in a report which he presented to the Government—and a ready welcome was accorded to the new institution. That grain bank has apparently done well. And some few others appear to have been almost equally favoured by Fortune—for instance the “Moberly Grain Gola” at Sohela in Bihar. The last-named bank was started in 1910 by another native philanthropist, Babu Paresram, on the advice of Mr. A. W. Moberly. Others evidently have met with a less kind fate, and, generally speaking, the record of the institution is not an over-good one.

On the face of it, grain is not by any means a convenient commodity to store and to handle, taking in and giving out, for the most part, in small quantities, and one on which there is likely to be loss in measuring backward and forward. Moreover, it requires space. It is exposed to various risks. It deteriorates even in mere keeping. Indeed, in the Dharma Golas special safeguards have been found indispensable, to prevent loss to the establishment, for instance by old stores being exchanged for new grain to be received. The Moberly Grain Bank from 1910 to 1913 increased its grain capital from the Rs. 1,000 with which it was first endowed to Rs. 2,577. But that was probably done at the cost, not realised but yet endured, of the depositors. Other grain banks have lost what they had.

Some Registrars, I find, have in recent days taken, not the actual grain bank as it is, but the idea of forming such in an ideal shape, into something like favour, basing their good opinion of it upon the precedents of Italian *monti frumentari* and Spanish *pósitos*—about which latter things have been written in India which do not altogether square with facts. By such means an entirely false idea has been created about their character, which it may be expedient to correct. The Italian *monti frumentari* have long since been converted into *monti nummari*, that is, *cash* institutions—on the ground of their not being any longer in keeping with modern usages, under which commerce, transports and communications have become much easier and the *nummus* has asserted its monopolising sway. And so have the Spanish *pósitos*, after a careful inquiry instituted by a Royal “Delegation”—corresponding to a British “Royal Commission”—occupy

ing not a little time and concluded in 1908, when an official "Circular" was issued. That Report sets forth accepted views, for the time regulating the matter. The opening portion fully explains the conclusion arrived at, and may therefore be worth quoting. It is as follows :

"This Royal Delegation has satisfied itself that the conversion of all the values in which the *pósitos* deal into metallic values will yield indubitable benefits to these establishments, alike on economic and on administrative grounds. That idea is neither new, nor is the proposal novel ; no more can the result be doubtful, because the adoption of methods for consolidating and unifying the property of the *pósitos* has been studied with great care and ample consideration for a long time past, with a view of arriving by such means at a settlement on grounds of scientific correctness, of expediency and of beneficent action, such as are to-day accepted without reserve of any sort by economists, sociologists and agriculturists alike. Data are in possession of this Royal Delegation which demonstrate this fact very clearly. Towns and villages frequently solicit the conversion of the grain stored in granaries into metallic values, justifying such request with very reasonable arguments. A large number of the now extinct 'Commissions' (administering the *pósitos*) have supported such requests on repeated occasions, and this Centre has again and again found itself under a necessity of according its sanction to arrangements in this sense, as a means of avoiding very serious loss to the property of the *pósitos*. There was a time when railways were not yet and roads were scarce, and when means of communication were correspondingly far from being either economical or expeditious. A year of dearth in those times meant for the agriculturist a seed-time without seed, and generally severe embarrassment and privation under the conditions mentioned such privations represented a trouble for which it was difficult to find a solution, because transport across long distances presented in those times a certainly insoluble problem on economic grounds. At that time, accordingly, plainly the keeping of grain in such establishments was fully justified. It was a necessity imposed by a backward state of things such as then prevailed. It represented a secure means of averting serious ills and of carrying on an agri-

culture poor, routinière, and without much life in it. There was no reliance to be placed upon industries which had contributed to it, and are indeed dependent upon its production, and on the higher prices which at present prevail in the commercial movement, and which are necessary for its prosperity. To-day the causes which previously justified the method adopted for rendering assistance in the antique way have completely disappeared, and to want to maintain the old method is to misjudge altogether the economic position of towns and villages in the present day, their necessities, and also the agricultural requirements of the country. Once such archaism is destroyed, and the grain stored in the *pósitos* is transformed into money, assuredly many anomalies so well known as almost unavoidable under present conditions will vanish. The waste occurring in measuring, turning and other manipulations, which the keeping of corn involves, will come to an end, and the property of the *pósitos* will no longer be exposed to the losses and leakages to which through various causes the grain kept in them is now exposed. The capital of the establishments will come to be known by an exact and unchanging figure, instead of being, as is now the case, subject to the fluctuations not to be foreseen following the vicissitudes in the price of grain. The danger of abuse such as is apt to occur in the recovery of quantities of grain repaid in lots of inferior quality will likewise disappear. And the capital of the *pósitos* will be increased by the sale of the buildings which now serve for preservation of the grain. With grain it is impossible to satisfy the many requirements called for in the labour of weeding, of harvesting, of ploughing, for the necessary purchases of machinery, fertilisers, live stock, store or plough cattle, repairs of wagons, of ploughs, of harness and countless other things indispensable on every farm, whatever cost they may represent ; with grain it is not possible to satisfy such wants, unless indeed the farmer himself first converts that grain into coin, saddling himself with all the trouble and risk which in many cases attaches to such operation—which is what as a matter of fact happens now. On the other hand, in their present organisation, *pósitos* are not by any means able to lend their help to farmers beyond that number of them who devote themselves to the cultivation of cereals, so excluding from

their benefits the vine-growers, the gardeners, the olive-growers and all those who carry on the smaller agricultural industries—in fine, those who live of their field, without devoting their labour and skill to that particular form of production, and for whom wheat and rye have no specific meaning, nor indeed any value except by the fact that their price regulates other prices in the market. Once the agriculturist has come within their reach, he may lay himself out at his own choice for progressive evolution, carrying to his fields those progressive methods which translate themselves into economic benefits improving and increasing production, and ministering in such ways far more widely to all his wants, while at the same time contributing by such means to the increase of national wealth. The transformation of the property of the *pósitos* into coin is therefore a necessity felt and claimed by public opinion, and above all things by the exigencies of our Agriculture, and we have to begin the metallisation of the grain preserved, and continue it, with the help of the State bonds, which these establishments now possess, with grants in their favour, with the rural and urban properties which form the patrimony of many among them and with the liquidation of the Credits which the State and Provinces and Municipalities hold against them.”

This document sums up the situation clearly enough. *Autres temps, autres mœurs. Alia vita, alia diaeta.* Times have changed. Our first parent Adam reckoned in fruit and in corn and went to beasts and fig-trees for his primitive clothing. Those simple things no longer suit us. And there is no use in harking back to anachronistic practices, which may have served their purposes well enough in olden days, under totally different circumstances, but will not suit us modern men. Rather is good to be done to people in the position of the Indian raiyat population by training them up to the adoption of modern customs of business.

The Spanish “Delegation” Circular incidentally shows that the Spanish *pósitos* did not altogether correspond, as has been hastily assumed by Indian advocates of their practices, to Dharma Golas, as these were intended to be. They were not credit institutions—nor co-operative, nor yet strictly speaking thrift institutions. They were patronised provident establishments. Their object is

frankly declared to be to serve as *casas de ahorros*—that is, savings banks. The new regulations adopted by the Government on the motion of the “Delegation” expressly exclude transactions in grain in the case of all new *pósitos*, only tolerating such as a diminishing quantity in the case of the older stores, for a certain time. The discontinuance of such business cannot present any difficulties, seeing that the *pósitos* are governed by political and ecclesiastical authorities—mainly political. As has been quite rightly stated—among other authorities by Mr. W. R. Gourlay in a Report which he drew up in 1905—the *pósitos* were originally introduced by the Crown. Their formation and administration was then taken up with some ardour by Bishops, who directed them in their own way for the relief of the faithful. Later Municipalities came in as founders and administrators. And that is explicitly put forward as a ground for the refusal of the “Delegation” named, given to the late Louis Durand’s proposition, stated in his book “Le Crédit Agricole,” that they should be converted into *co-operative* Raiffeisen banks. How are they to be converted, so asks the “Delegation,” when they have to be managed by the Municipalities which provide the money?

The financial position of the *pósitos*, as ascertained by the “Delegation” for the date June 30, 1908, clearly proves the predominance of gift over loan property. It was this :

		Pesetas
Assets in grain of various kinds	..	43,689,311.61
„ in cash	47,263,684.27
„ in State and other bonds and similar values	3,385,238.92
		<hr/>
		94,338,234.80
Fund contributed by the State, by Provinces and by Municipalities		206,396,617.74
		<hr/>
Total	300,834,842.55

The two cases, brought into comparison of *pósitos* on the one hand—about which I have only spoken at such length because they have been so very pointedly held up as a useful precedent—and Dharma Golas on the other, accordingly are not at all on all fours.

The Indian Dharma Golas have in truth made very little way. If there are some doing well, there are others—the majority—languishing, moribund or defunct. If the Dharma Gola of Jangypur has flourished, its sister institutions at Shaitgurrh Teota and Rahatpur—in the Dacca district—founded by the same philanthropist about the same time, have done badly. So it is elsewhere—only with the unfortunate ones generally in the majority. It is not every Registrar's Report that gives even a few lines to them. "The grain banks have not been able to effect any considerable improvement among their members." So writes Mr. Donovan in his last Report out. There are one or two "doing good work." Two are "in a moribund state." Two new ones have been formed. "Although the raiyats pay a heavy toll upon grain advances," so wrote Rai Mitra in his Report for 1914-15, "there has been little demand for separate grain banks even from areas where the co-operative movement has obtained a firm footing; in some areas I have, however, noticed a demand for grain annexes in connection with the credit banks."

That is probably the proper solution of the question. Allow such members as find it easier to begin their practice of thrift by depositing grain to do so. That is in a manner on a par with what our most deserving "collecting banks" do in England, whose emissaries whip up the odd pence of labouring folk when they are fresh from the pay-table, leaving the owner no time to be tempted to spend them improvidently. The grain is there. There is probably too little to convert conveniently into money. Snatch it up before it has a chance of being wasted! The bania, so it is true, who is the only person to convert it, is likely to dissuade from the transaction, which takes expected bread out of his mouth. But for the sake of a beginning, by all means, where necessary, allow the people who prefer to do so to deposit in seers of grain rather than waste them. The mischief is that in some places, where this has already been tried, the handfuls of grain deposited under an impulse of thrift appear to have been readily withdrawn as soon as the moment of temptation arrived. You cannot tie down grain deposits in respect of time as you can cash deposits. And in transactions in grain all is absolutely bound to depend upon the energy and firmness of the manager. The success

of Rai Chaudhuri's first bank at Jayganj, so writes Mr. Mitra, "has been entirely due to the keen interest of the organiser and to the supervision which he and his officers have maintained over its working." On the other hand, the Teota Dharma Golas, which were likewise started by Rai Chaudhuri about the same time as the Jayganj bank, have proved failures, because he was unable to maintain there the same amount of active control over them.

The future undoubtedly belongs to cash business.

There is another point to be taken into account, which has become of considerable importance. Since Mr. Chaudhuri conceived his idea to form grain banks, we have raised our aims and ambitions considerably with regard to the perfecting of our Agriculture. We know now what good, pure grain, of the best "breed," suited in respect of its species to its particular locality, means as a matter of commercial value—whether it be for seed or for food. Whatever our wise men at home may decide to do after the war by way of heaping coals of fire on the heads of our enemies by completing their U-boat "blockade," so as to keep out the corn that we stand so greatly in need of for feeding our people, in order to give Germany a monopoly of importation of corn from alien countries, we shall certainly want to look to India more and more for a supply of wheat. However, our British market is squeamish—as the Danes have found in respect of their butter, eggs and bacon. It will only accept the best and purest of its kind. An experiment quite recently made with the exportation of Pusa wheat to the English market has given promise of a good business connection to be developed. Co-operative granaries of the German type—not those which Mr. Crosthwaite has justly denounced, but real *co-operative* ones, which exist to help the sellers—assist greatly in the purification of grain production, both as to unification of standards in various districts and as to grading for intrinsic quality. Dharma Golas do neither. The object of the Dharma Gola being such as it is, no goladar could refuse dheri grain. Whether it be wheat or rice or millet, it all comes to the same thing. Indian paddy grossly diluted with the wild species and of a mixed kind altogether is not nearly equal to a perfected sample, kept pure. This is not only a matter of fancy, or of market price. The good grain represents much more feeding value.

Since, however, gola grain is collected to be lent out for seed, the terribly mixed condition of the store cannot fail to keep our field crops in a very "mixed" condition. All that goes straight *against* that agricultural improvement to which we are aspiring by means of the perfecting of our plant "breeds." There is no similar adverse effect in cash. "Cash," so wrote Lord Byron, "rules the Camp, the Court, the Grove." Cash is useful for all purposes. It requires no storing, no turning, no stirring, no buildings. It is safe from rats and mice and other vermin. It does not rot. And it is far more suggestive of thrift and fructifying investment than grain, just because it is employable for all purposes, does not waste or tempt directly to consumption, and is a convenient commodity to hold. Then let us employ thrift dealings in grain, where such seem called for, as a sort of infant education, but always only as a preparation for cash business. And as our population advances in knowledge of business lead them on to dealings at the cash counter!

IX.

THE WIDER OUTLOOK

CO-OPERATION is capable of more applications than that only of Credit. Indeed, Credit should in it in truth serve only as an avenue leading up to further employment of the same method—employment in which really to find its main use. In highly industrialised countries, such as England and Scotland, it is Distribution—Supply, as it used to be called—that appears best qualified to act as pioneer Co-operation. Profitable employment there is already for the classes so co-operating, and the aim set to Co-operation by them is to make the proceeds of that employment go as far as possible and out of their yield gradually to build up little fortunes. Under such circumstances the population requiring the help of Co-operation, in order to emancipate itself and economically, socially and morally to raise its status, is a different class entirely from that which claims first attention in the great Asiatic Empire.

In India there can be no question that it was Credit which was of all forms of Co-operation the one most urgently and most pressingly needed. And therefore rightly did the Government begin with promoting Credit.

However, Credit can, as observed, impossibly stand as an end by itself. You can do a great deal with Credit. You can stimulate faculties with it, make the most of opportunities, create employment for yourself and for others. But you cannot sit down upon it or live upon it. That is in truth one of its best recommendations, and under a not unimportant aspect its greatest merit. For it compels to good employment. *Give* a man money, and he may sit down upon it and spend it, or live upon the interest which it will yield in idleness, a mere cumberground and drone, from whose life the world derives no benefit. *Assist* a man

with Credit, and, if it were only to keep himself going, he will have to turn the money so got productively to account. In this sense Credit, though not itself "Capital"—as it has been maintained that it is—is in truth better than Capital.

Credit in itself is worth a great deal. The world could not to-day go on without it. But it is worth much just as an implement or a fertiliser is. You cannot eat a bag of bone-dust or of guano, or clothe yourself with it. But you can grow much corn or cotton with its aid, to feed and clothe you. Credit is worth much—but it is worth less than nothing, if not put to use.

Accordingly, the terminal point of our wealth-bringing journey must needs lie farther than Credit. Like seed, it has to be sunk in the ground to produce the well-filled ear that can be threshed to yield us bread to be consumed, making in the process new flesh and blood.

It will be well from the outset to hold fast by this principle, that the object for which Credit—in this case Credit to be raised by a number of people out of their own resources, with men to a certain extent answering for one another, for their own purposes—is raised must be productive—productive, let us say, by the creation of new values or by ensuring economy. For proverbially a penny saved is a penny got. That is the only employment which is legitimate for it, and in truth the only employment, within the range of Co-operation, which requires it. Other Co-operation can do without. Distribution, for instance, requires no Credit. It may be said to end where Credit begins. It has been asked for on the European Continent for purposes of Distribution, and in France it is about to be given—to secure votes; but that is manifestly wrong. For we do not need Mr. Micawber's philosophy to make us understand that no man should live beyond his means. Our working-men combine in Co-operation in order—at the outset, at any rate—while spending the same money for their requirements that they would at the shop, out of that purchase at the store instead to economise what will in course of time build up a little fortune for them. They have to begin with the money. They go on, as they grow wealthier and better organised, to other forms—Production, Insurance, and so on, all of it out of their profits already gained.

For Production, on the other hand, we require money. When the Board of Trade, in 1895, charged one of its most capable officers, the late D. F. Schloss, with an inquiry into the organisation and work of working-men's co-operative productive societies abroad, shortsightedly limiting the reference to enterprises in which these men supplied just only their labour, there turned out to be practically nothing to report upon under that narrow view. For Labour alone is found to be best prized for its work paid for by wages. The very first thing that, according to their own account, all these productively co-operating working-men did was, out of their earnings as labourers, by stinting and pinching—often severely—to lay by some little nest-egg of capital, with the help of which they turned themselves into contractors. It was, according to their own testimony, *money* which yielded to them the best profit. Wonderful rises in position have under such circumstances taken place with the help of skill and Co-operative Credit. Societies composed of the poorest of poor earthworkers in Italy, known as *braccianti*—because they have nothing to bring to their job but their arms—also others of better-skilled crafts, such as stonemasons and bricklayers, have with the help of Credit—supported of course by steady resolution, diligent application and in the initial stages self-denial—become powerful organisations undertaking large contracts. And they have succeeded in shaking off both the burden of debt and the shackles of dependence. They have become self-employers. Only four years ago I saw one of these associations, raised up out of pure Labour, in Rome executing an independent contract for the construction of a railway. I have seen them undertaking large building contracts—as for a “watertower” and the like—in Milan and elsewhere. And I have seen them farming a large property, under a long improvement lease, for themselves, at Ostia. In France the productive working-men's societies, raised up by the use of Credit, possess their own bank—co-operative in this sense that it belongs to them all and exists for the purpose of financing them in their enterprises. They carry out large contracts. Should small industries develop and wax strong in India—as we may fondly hope that they will—such a bank as this—there is a similar agricultural-industrial one in Denmark—might prove a useful adjunct to them.

It is the same thing in Agriculture. Mr. T. H. Middleton, of the English Board of Agriculture and Fisheries, has recently in a masterly "Memorandum" shown how German Agriculture has managed for the time to outstrip British—from which it first learnt its lesson; and miles behind which I still found it fifty and sixty years ago. There can be no doubt about the march which it has stolen upon our own husbandry. However, the foundation upon which that mighty structure of progress was reared up clearly was Co-operative Organisation and, above all things, Co-operative Credit. The lesson wants to be taken to heart. For with the same means the same results may be achieved—the same and better. For in the matter of soil Germany is at a disadvantage compared with other countries, certainly with India. Now, like India—and for the same reason—in the matter of the Organisation of Agriculture, Germany began with Credit. Before there was Co-operative Credit there was no Organisation—absolutely none, as I can vouch for, having seen Germany at the time. And so long as Germany lacked Organisation in Agriculture, its Agriculture remained backward. Even that boasted "Science," which has indeed effected veritable wonders for German Agriculture (as also for German Industry), remained sparingly developed because, without sufficient money to use it, there was not sufficient demand for it. Co-operative Credit entered upon the scene and the whole face of things came to be changed. With the purchase of fertilisers, implements, seeds, machinery, and so on, placed within the reach of farmers—even poor ones—there was scope, not only for Organisation—which has come to be as perfect as any known—but also for the scientific work of analytical chemists, engineers, entomologists, bacteriologists and the rest of them. One of the results of this evolution is that at the present time, as an expert writer in the *United States Journal of Economics*, "the German farmer now uses six times the quantity of fertilisers to the acre that the United States farmer does, besides ever so much more animal manure." And of course he reaps the result. Because it is the *additional* fertiliser which tells most. Hence, with the accompaniment of a corresponding amount of careful tillage, machine labour supplied in great part by electric power, and an admirable organisation of sale, the

wonderful progress which German Agriculture has made, the height of prosperity to which it has been raised.

Given the same endowment, there are the same opportunities open to the Indian agriculturist. The same advanced goal cannot be reached in a day. But with an earnest will and perseverance it may be reached. Agriculture is, as a matter of course, the first interest that, in respect of material progress in India, people think of. For Agriculture, with about ninety per cent. of the population dependent upon it, is the main nourisher, the sheet-anchor of Indian economic life. There is really in the development of Co-operation in India no feature more promising and full of encouragement than the close link which has already been forged between Co-operation and Agriculture, twin patron goddesses that they are of economic progress. Without Agriculture, Co-operation would in India lose its chiefest field of action. And without Co-operation, Agriculture, however well officered, would lose its best instrument to work with. The researches and discoveries of Pusa, Cawnpore, Lyallpur, Poona, Nagpur, Coimbatore and the rest of them, exceedingly valuable as they are, and a thing to be proud of, would remain addle eggs if there were not the means for putting them to practical use. And to be able to put them to practical use Co-operation and Organisation are imperatively needed. Just the same as in Egypt, under the auspices of the whilom "Khedivial Agricultural Society," agricultural authorities in India have begun by taking charge themselves of the distribution of seeds, improved implements, fertilisers and the like. However, just the same as in Egypt, as the use of the articles supplied extended, the work is likely to grow too exacting for those authorities. Besides, such distribution is not really their business. And one may hope to see Co-operation, which has begun in that way, developing so as to carry on the business on a large scale. It can do so better than the agricultural authorities and bring the knowledge of the utility of the articles supplied better home. We in England cannot "talk" in this matter. For we still remain unorganised, and our Agriculture suffers accordingly. Men like Sir Horace Plunkett—who has shown in Ireland what Co-operation is worth to Agriculture—and myself have been preaching Co-operation to the agricultural community for something like twenty-

five years. However, John Bull takes a long time moving out of his well-worn groove. Unorganised, the farmer buys in the dearest market, under the most fettering conditions, and sells in the cheapest. In India, where debt broods depressingly over the entire rural community, things are even worse than elsewhere. Co-operation reverses the process just denounced. It makes the farmer buy in the cheapest market and sell in the dearest. Hence that remarkable uplifting, that astounding ascent from poverty to prosperity of which, as witnessed in Germany, Mr. Middleton has told the tale. Agriculture and Co-operation, acting as twin sisters, should move in double harness keeping the spring bar well balanced. However, one could not wish to see the one placed permanently under the other, as has been suggested. Co-operation has other tasks to tackle besides the agricultural. We have had complaints that in India it has already grown over-agricultural in this sense that its inspectors are insufficiently instructed on industrial work and that industrial Co-operation is in consequence kept back. That ought not to be.

For the moment Central Banks, which are having much committed to them which is not their real business, have taken charge of what beginnings there are—promising enough in themselves, one would say—of co-operative buying. They have done quite right. For there is for the moment no other body to do the work; and it *has* to be done. For co-operative purchase—"supply," as it used to be called—is an admirable elementary schoolmaster in the art of Co-operation, and makes a most useful stepping-stone to further common action, lending itself at the same time readily to combination with almost any other form of Co-operation. The one form to be excepted—as a general rule—as it happens, is just that with which in the present case it has been coupled together—that is, Credit. Credit is a business calling—more particularly when it is undertaken without any considerable capital to serve as its basis—for so delicate handling, so careful consideration of all merits in each particular case; it requires to be made adaptable to so greatly varying circumstances and will so little bear subjection to hard-and-fast rules, that in the generality of cases it will not stand coupling with any other form. Selling and buying, dairying, production of any sort

will readily blend. Credit must in ordinary cases be regarded and treated as a matter altogether *per se*.

However, there is proverbially no rule without exception. And in the case of *very small* societies, or on new, thus far uncultivated, ground, where it may usefully be made to act as pioneer, I hold the title for exceptional action to be good. If there must be Credit, there certainly also must be Supply—and, if possible, I should say, in poverty-stricken districts also Distribution—that is, Supply for purposes of the provision of household requirements, as distinguished from Supply, for purposes of Production, in which it cheapens the provision of raw material. Supply in this twofold sense is sure to yield a surplus, the easiest “profit”—as it has been misnamed—to be at all got out of Co-operation. And it is, as observed, an admirable preparative for all other Co-operation. It breaks the spirit in to co-operative feeling; it teaches mutual help and common action on the lowest, the most accessible, the most easily organised plane.

When we think of the organisation of Agriculture—on co-operative lines—we instinctively turn to two strikingly different models, both of which have achieved remarkable success, the one in Denmark, the other in Germany. Which of the two shall we follow? Denmark may be termed the premier co-operative country in the world, in what concerns Agriculture. It has thus far possessed no Co-operative Credit except for mortgage purposes, because it was assumed to need none. Its mortgage Credit was so well organised, more particularly so well democratised, as to supply—just as has happened in Switzerland—to a great extent the office of personal Credit. And with the stimulus of even such comparatively heavily moving and cumbrous credit, Agriculture had come to be so much improved that in his “*Andelsbevægelsen i Danmark*” (Co-operation in Danish Agriculture) Mr. H. Hertel, writing quasi-officially, can say: “Without the loans in question Danish Agriculture would have been unable to enlarge and rebuild farm buildings, to increase very largely the number of live stock, to improve the dairy cattle so as to yield twice or three times as much as before, to carry out permanent improvement by draining and marling, to accommodate the farming system to the altered conditions in the world’s markets, to buy farm implements and machinery and to build and equip many

hundred co-operative factories. Although cases of abuse of the facilities for raising loans offered by the Credit Associations do undoubtedly exist, the benefits accruing from the Associations have secured for their members constantly improved conditions, and externally have gained unprecedented confidence, so that the security offered to capitalists, even in the minds of the investors abroad, approximates to that offered by the Government. The Danish Credit Associations therefore may be said to have fulfilled their object in a very satisfactory manner, and to have contributed in no insignificant degree to the economical prosperity of the country." That is much the same as what Mr. H. Dunning Macleod has testified of the effects of "Cash Credit" on the "far-famed Agriculture of the Lothians," the cynosure of the agricultural world, and what the late Léon Say wrote in praise of Italian Co-operative Credit reanimating Italian Agriculture (and Industry) in his "Dix Jours dans l'Italie": "*La mutualité a tout créé* (Co-operation has created it all)." It shows how exceedingly furthering Co-operative Credit is to Agriculture. However, quite lately—only since 1915—Danish farmers have become converted also to a very firm belief in that "personal" Co-operative Credit which has worked such wonders in some other countries. The matter was first mooted about the year 1898, when Parliament voted something like half a crore of rupees for the purpose and a Parliamentary Committee was appointed, under the chairmanship of my friend Mr. Blem, to investigate the matter. Among others I was then invited to hand in a Memorandum on the subject. A change in the Government occurring soon after nipped the project in the bud. However, it has now been taken up once more and has by its intrinsic merits secured so powerful a hold upon agricultural opinion in Denmark, that, in Mr. Hertel's words, "it looks as if another co-operative movement, started in the West of Jutland, were going to sweep over the country, as the co-operative dairy system did a generation earlier."

The peculiar characteristic of Agricultural Co-operation in Denmark is that, in the main, every branch in business is in Co-operation dealt with as a branch *per se*. There is dairying, bacon-curing, egg-raising, selling, buying and so on. A farmer may be at the same time a member of nine

or ten distinct Co-operative Societies, each providing for some separate need. Then, are we to do like the Danes, organise in bulkheaded departments? I ask whether in India that would be practicable. Denmark is a quite peculiarly situated country. In its present form its national Agriculture is a creation of the last fifty years called into being by German protectionist policy—and called into being, as its chronicler, Mr. Anders Nielssen explains, piecemeal, branch by branch, just as necessity called for the one or the other. The rural population of Denmark is the best educated in the world—better educated than the industrial.

Another distinguishing feature of Danish Agricultural Co-operation is that, as Mr. Hertel admits, it leaves out of account all the ideal objects which to co-operators elsewhere are the dearest among the aims of Co-operation. Like American Co-operation—of the old sort; for a new era has begun to dawn across the Ocean—it thinks only of *business*. There is no educational object in it. That object has been provided for otherwise. There is no community building; no drawing together of people, no replacing of “village communities.” All these things are, so far as Danes want them, there already.

In Germany, under circumstances far more resembling those of India, acting for a humble class of people—likewise in similarity with what has to be done in India—Raiffeisen struck out a different path, in our present sense in the opposite direction to the Danish. His system has likewise proved exceedingly successful, and very much more stimulating on new ground, and has in consequence been adopted generally in Europe—and I may say also in Japan, which is coming very conspicuously to the front as a co-operative country, after its emissaries, despatched by their Government, have made a careful study of co-operative institutions in Europe. In the small parish societies—as they are intended to be—of small cultivators, Raiffeisen made his co-operative organisation a “maid of all work”—except for industrial concerns such as dairying, sugar-making, distilling and the like, which have to be managed by themselves, but which certainly have everywhere kept in close touch with the original “Raiffeisen society”—“Raiffeisenverein,” as it is distinctively called—borrowing the funds requisite for

their establishment from it. The most striking feature of Japanese rural Co-operation, when you come to look at the table of its societies, is the very common combination of various branches—purchase, sale and so on, and almost in every instance also Credit—in one and the same society. In German Raiffeisen societies Supply figures very prominently in the business done and answers for very much of the success achieved—but not, thus far, Distribution. The societies have power to engage in it, and hold such in reserve, should the bania be found to use sharp practice. For the present they hold that he does not do so, and accordingly hold their hand. In India the bania is not likely to be counted equally immaculate. And there, accordingly—just as in Ireland, where the gombeen man rules fleecingly over the rural population—I hold Distribution to be, not only legitimate, but distinctly called for—called for on economic grounds and also because it is so effectively educative.

However, when you come to the higher grades of Co-operative Organisation—as in Central Banks—combination of Credit with Supply or Distribution, or in fact any other form of Co-operation, not only ceases to be legitimate, but becomes downright dangerous. Combination opens the door to grave and easy abuses. One form of temptation very frequently occurring is this—which ought to be familiar to Indians from their dealings with banias and mahajans—of an improper and improvident purchase being pressed upon the customer, because there is the Credit department conveniently handy to afford the necessary credit. Of course the member who joins the society for the purpose of obtaining credit and also to purchase is entitled under proper conditions to do both the one thing and the other. However, that may be legitimately done in a different way, which excludes danger. (In a different form the two kinds of jaggery societies organised in Bombay Presidency provide for this.) Under a system first introduced in Italy by M. Luzzatti, the intending purchaser goes to his Co-operative Credit society, giving the required security and so obtaining his credit. That credit, or so much of it as is required, he assigns to the supply association, which deals with him practically for cash on that basis. Under such conditions the temptation spoken of disappears.

For the credit society is not in the least interested in the sale of the article which its member desires to purchase, but only in its own security. And the supply society can exercise no influence upon it to determine it to stretch a point for the sake of enabling it to sell its wares.

Above the very lowest grade of dealing there is such very serious danger in the combination of Credit with Supply, and also Sale, that I have felt constrained to warn most emphatically against it. And we have telling cases in point. Both the Raiffeisen and the Haas types at one time practised such combination at the apex of their organisation in the several Central Banks which at that time functioned also as apex Supply Societies. The Haas Union probably simply copied such arrangement from the Raiffeisen Union, in which it had been for some time established. The Raiffeisen Union adopted it for want of anything better, because slanderers alleged that Raiffeisen himself and a few of his friends, who in a public-spirited way carried on the central trading as a private company, made an illegitimate profit out of it. At our International Co-operative Congress at Budapest in 1904 I singled out this subject for my paper and offered a strong remonstrance against such combination, which then boded danger. The danger, in fact, came almost immediately after, in the shape of complications which involved loss in both quarters. The two central organisations in consequence took my advice and separated the two departments, after which things went on smoothly.

You cannot in India permanently retain your Central Banks as Supply Associations. They already undertake more than they are quite equal to. They have not, in any case, a superfluity of capable men at their command with sufficient leisure to attend to Board duties. Complaints are heard of their being often one-man institutions. It would be a mistake to overtax them. Let them stick to their bank business and do that well, and leave Supply to others!

In India, apart from Credit, and even from Supply, there ought to be ample scope for the application of Co-operation to Agriculture. We see the first shoots sprouting—in some variety—in the fields already. Raiyats have begun to feel the want. And Agricultural Authorities are rightly stimulating. Supply answers for a great deal, but not nearly for all. By all means let us organise Supply—carrying, I hope,

Distribution in its train. The wants of raiyats are few. But they are sufficient for banias to make a fine living out of. And we must hope that the raiyat's standard will come to be raised, as Professor Stanley Jevons has urged.

Here is just one instance of what combination of Co-operative Distribution with Co-operative Supply may do. The Agricultural Co-operative Union of Eastern Switzerland, now a very powerful and progressive organisation, was on the point of collapse when confining itself to the supply of agricultural requirements only. It took up distribution of articles for domestic use as well, and its failure was almost on the spot converted into brilliant success. And as a consequence banias are disappearing from village after village in its district, the Co-operative Store, which sells cheaply and, of course, of genuine quality, taking their place. For do not let our Indian agriculturists ignore the fact that cheapness is by no means the only thing that they stand to gain by practising Co-operation. It is the gain that is most apparent and that in itself justifies Co-operation. However, in addition, Co-operation ensures quality. And it places skilled advice and the service of skilled experts at members' command, endowing them vicariously and without cost with the various mental faculties necessary for their business, which they do not possess, and so enabling them to do full justice to their calling. Their chemist analyses their fertilisers and feeding-stuffs for them, their botanist tests their seeds, their engineer examines their implements. Where they can organise their sales, it is their expert salesman, who knows the markets, and is a full match for the wily dealer, who places their produce, live or dead, animal or vegetable, on the right market, bargaining for the full value, instead of their allowing themselves to be gulled by a crafty dealer up to all tricks. In Europe we have already distinct co-operative markets for agricultural produce, live or dead, for which the co-operators lay down rules. They have proved highly successful and are very much resorted to by buyers.

Combined with the sale of goods to members, there should be instruction as to their use. We scarcely need that in Great Britain. But in India I should say that it is distinctly called for—just as it is, for instance, in Italy, where the peasantry are backward and where systematic attention to

this particular service is found highly beneficial and stimulating. The societies—not the makers of implements—have their officers stationed at suitable points, ready to instruct members in the use of new machinery and implements and to supply new parts. That is half business, half education—in respect of which latter Co-operative Societies have opportunities open to them which the educational staff of the agricultural authorities do not possess. We should remember what Lord Reay said of the Agricultural Syndicates of France—being organisations, mainly for co-operation, with which I have been familiar almost since their first formation—namely, that in the matter of education “they have worked wonders.” Co-operative organisations do not teach from the teacher’s desk, but in button-holing conversation. In India they appear to be already assisting to some little extent by demonstration, which is the most effective educator of all in practical things. But they want to be doing a great deal more. “The matter of adapting the teachings of the Department and the Colleges to local conditions is one of the most difficult problems that the apostles of the new Agriculture have had to meet.” So writes Mr. C. S. Vrooman, Assistant Secretary of Agriculture, in the United States in the *Yearbook* for 1916.

Now that is just the sort of work that Co-operative Societies seem cut out for. They can do a great deal towards the distribution of good seed—which evidently is a great want in India, whether the seed be rice, or wheat, or cotton or anything else. We in England are expecting to do a large business with India in wheat. The first experiments which have been ventured upon with the exportation of Pusa No. 12 wheat to England are said to have proved encouraging. India is, if not actually the original home of wheat, at any rate next door to it. There are now in India over 35,000,000 acres under wheat already. If trade with Great Britain expands, there will probably be more. And, with the aid of Co-operation, we may anticipate that that same area will soon yield considerably heavier crops. However, our purchases depend—as they did in the case of butter, eggs and bacon, which we take from Denmark—on good, and permanently good, quality. Denmark has learnt the lesson. Ireland is learning it now. No doubt India in its turn will do the same.

There are special branches in Agriculture that want to be pushed by Co-operation, and for pushing which Co-operation has already proved its exceptional capacity.

Take irrigation. You have Khelar ; you have Nawada ; you have advancing co-operative irrigation in the United Provinces and elsewhere. Scattered and subdivided as territory is in India, Co-operation is almost, if not altogether, necessary, certainly most helpful, if irrigation is to be extended as one would wish it to be, and as in truth it ought to be. Give Indian soil water, and under a forcing sun you can do almost anything with it, at any rate somewhere or other. In the United States—which possess their ample allowance of genuinely arid soil, useless without water, yielding well when irrigated, co-operative irrigation is the *only* form of irrigation which has really answered. It was begun in Utah, where the Mormons were assigned a territory, dry and sun-scorched, on which to settle. The land needed water badly. To supply such the Mormon settlers could expend no money, because they had none. But they had their arms. They set to work with them co-operatively, one working for all and all for one ; and so working they completely transformed their province. Incidentally they discovered, as I may mention, with their cute Yankee alertness, how to turn that pestilent and noisome *reb*, from which they suffer as much as do arid parts of India, to good account—industrially, though not agriculturally—by extracting from it its alkaline salts, for sale in the market. However, the main point was that they made their territory cultivable and set an example which the rest of the United States have not been slow to follow. It is Co-operation there which governs irrigation. Mr. Herbert M. Walter, of the United States Geological Survey, in his Report on “Indian Irrigation” prepared for his Government, points out the rather striking similarity in the conditions bearing upon Irrigation, which prevails severally in his own country and in India. He writes : “In general there is a great similarity between the character and topography of the great northern plain of India and parts of our arid West, especially the eastern slopes of the Rocky Mountains and the great Californian valley. Central India and the Deccan have many features in common with the central portion of our arid region, particularly portions of northern Arizona

and southern Utah. The climate is as similar to that of our Middle Western States as is the topography." Mr. P. E. Fuller, Irrigation Engineer in the Office of Public Roads and Rural Engineering of the United States, refers to the same point when, writing in the official *Yearbook* of 1916, he remarks: "In obtaining a water-supply for irrigation Co-operation has many advantages." We have likewise found Co-operation useful for purposes of water-supply in England—witness Mr. F. Graham Fairbank, of York, who has organised several co-operative irrigation schemes in the North. And in Belgium they have their *wateringues*, in Germany their *Deichgenossenschaften* for the same purpose. Co-operation, so I should say, in connection with this matter promises more particularly to be helpful in the regulation of water-supply, where irrigation is practised, as between various usufructuaries interested, so as to ensure a fair but not wasteful apportionment and the utmost benefit from the valuable water secured. There appear to be difficulties about that at present.

That application of Co-operation naturally leads on to one which exhibits the same feature, only in a modified shape.

Co-operation in Irrigation is Co-operation in work. And assuredly in a country with land so snipped out, so cut up into fragments, as is that of India, there is room and call for organised labour, such as is supplied, for instance, in the numerous *associations syndicales*, and in some cognate organisations which, under a European sky, smoke the vineyards to keep the night frosts off and bombard the welkin to bring the hail-clouds down in the harmless shape of snow powder. India already possesses Co-operation of really an identical kind as that commonly practised by the French *associations syndicales* and the corresponding associations in Belgium and the Netherlands—that is, in Professor Radhakamal Mukerjee's words, of villagers "uniting to dig and clear out watercourses, turning out together to protect their rice embankments from floods," or else combining to work for a time at "deepening the pond" or "dig *kachha* wells and to work them for the village cattle and often to make a *pakka* well," or to "dig the village ditch, to repair the village hedges, to build the *dharma golas* or to put a new gate on the entrance to a village," or even to "dig long inundation

canals." That is excellent. Only, as Professor Mukerjee rightly observes, it wants to be organised and be made permanent and general. There is distinct promise in it of more being done in this way in India—as more is certainly wanted there—than in Europe. There is likely to be some difference in the application in the two quarters of the globe. However, Providence has so portioned out our troubles that no climate escapes perfectly without them.

In Italy co-operative labour has become a leading feature in economic organisation. It is there, indeed, the landless dwellers in the country who combine—in the first instance to take labour contracts in common, as a means of bettering their position and acquiring some capital, though it be at the cost of pinching and stinting. But they have long since advanced beyond that. For they acquire or rent land, and often farm it, in common. As a rule, however, their co-operation is limited to the mere acquisition—in Italy it is in the main by tenancy, but for long terms, with fixed tenure.

That, again, leads on to another point. Indian administrators and economists are much exercised now about the consolidation of holdings, which at present lie distributed in small patches over a wide area. There can be no really remunerative husbandry under such conditions. Nor can there, so one would think, be much peace of mind or sense of comfort for the occupiers. We have had the same fragmentation all over Europe, and the same troubles arising from it. If Sir Henry Maine is right, it came to us from India, parts of which are supposed to form a proportion of the "cradle of the human race," the nursery from which human seedlings have been sent forth to people the world, just as baby oysters are sent into all waters from La Teste, to produce a world-wide oyster crop. Wisely we have got rid of it—in England indeed in so rough and ready a way that in his evidence before the Agricultural Policy Sub-Committee Lord Milner has quite recently proposed "re-enclosure," to get rid of irregularities produced; but in any case we have, even in unmethodical England, lumped those ancient "strips" of Mr. Seebohm's charts together into workable holdings. That has indeed left a heritage of hardship for the class of our population corresponding to the Indian raiyats. But that injustice we are now labouring to redress in a more methodical manner. One may be thank-

ful to reflect that meanwhile at the present time Co-operation is at work healing the wounds that were then very ruthlessly struck to so large and important an interest of the community, a class surely deserving more considerate treatment. For both in England and abroad—more specifically in Germany—Co-operation has begun to restore in an improved shape that common pasture which is so much needed for the small cowkeeper, the present President of the English Board of Agriculture, Mr. Prothero, setting the example on the Duke of Bedford's estate at Maulden in Bedfordshire. There is a cry in India at present in connection with the movement in support of a better supply of milk, for more pasture for the *gaolis*. Co-operation may provide that. Outside England the operations performed for getting rid of the puzzle pictures of intricately entangled small properties have been far more methodical and considerate in respect of the humbler occupiers of the soil. There are no precedents worth recording to refer to, except from that storehouse of landholding lore, Germany—loath as we are at the present time even to mention that country. What has been done in Germany really forms part of the enlightened policy opened up by that great Minister whom Professor Sidgwick has made his hero, Stein, who, by his land legislation emancipated the millions of German serfs from their bondage and so created a free peasantry, to the existence of which Germany owes much indeed of its agricultural greatness and prosperity. France is suffering greatly from the same evil of over-subdivision of the soil, the effects of which are, however, there mitigated by the lamentable thinning of the population by Malthusianism, which keeps land comparatively cheap for want of applicants for it. The French Legislature applied itself to dealing with this matter only just before the war. Nothing actually has yet been done. France has since about ten years or a little more its *Bien de Famille*—that is, an adaptation of the American "homestead," which keeps a rural property, when registered under the proper law, indivisible and intact, and therefore goes farther than the various Land Alienation Acts of India. (Germany has of late years adopted something of the same sort.) That is, however, a different matter, and presupposes holdings already consolidated. Common sense has helped the Swiss, a very agricultural race, over the

difficulty in another way. They have their common pastures on the Alps and the Jura, but in the valleys their properties are for the most part self-contained. Germany has a whole armoury of measures appropriate to the purpose at its command, which have rendered excellent service among a naturally docile race, such as is greatly appreciated by the persons affected. I have been a witness to some of these consolidations, for which, of course, as Sir Claude Hill has suggested at a recent discussion of the Indian Board of Agriculture, the consent of those concerned in the re-arrangement of the several fields should be obtained; however, that consent need not in Germany be unanimous. It is the majority which determines the matter—the majority within a certain area of which the applicants draw the limits. However, that majority is not a majority of landholders, but the majority of “assessment units,” which gives to the more valuable field larger voting power than to the less valuable of the same dimensions. Since there must be consent and collaboration of the parties interested, Co-operation should be at any rate a valuable preparative for it—let alone that Co-operation is an effective educator, more particularly upon matters of Agriculture. But it also brings people together and teaches them to accommodate their several interests one to another, instead of leaving them to stickle for small points magnified by personal feeling into matters of vital importance—the substance of which is often only that of a soap bubble. The fact that in Italy common holdings (*affittanze collettive*) are now, in progressive ratio, not exactly replacing the historically highly interesting but economically most wasteful *partecipanze*—which are to a certain extent replicas of the minutely divided Indian village area—but growing up by the side of those decaying relics in their place, seems to be adducible as another evidence of the probability of Co-operation proving helpful to Consolidation. And there is one more reason for making such assumption, which for a moment takes us out of our present agricultural sphere. Professor Stanley Jevons has rightly suggested that a general raising of the standard of living will dispose coheirs to property in land rather to sell than to claim their own inheritance. No doubt it will. But if there is to be a higher standard of living there will first have to be better earnings, more openings for the

removing coheirs to employ their labour upon remuneratively. Such openings with corresponding earnings may be found in those numerous hand industries, for the practice of which Indians appear to possess a special aptitude as well as leaning—shared in an equally full measure probably only by Japanese—and for the prosecution of which India offers a market such as it would be difficult to find elsewhere—provided that those hand industries can be made to pay. And to that potential treasure-house Co-operation provides the only acceptable key. Limiting the minimum size of holdings—such as has been proposed—can be of little use. “Slim” people can get round such provisions. And limitation mechanically bars the way to further progress. I made a study something more than twenty years ago of small holdings in the most subdivided part of Germany, the south-west. And I found holdings such as English and probably also Indian economists would have pronounced absolutely uneconomic, on account of their diminutive size. However, in Germany they “maintain their man” by means of highly perfected small cultivation, which produces heavy outputs of exceedingly valuable produce, grapes for pressing of superior quality, good choice tobacco and so on. Advancing in its course of the creation of small holdings, with the help of Government credit, the Prussian Government has found itself led, almost compelled, to reduce the minimum size further and further, because it turned out that very small holdings were wanted and that people had learnt to make a living out of them. Bringing neighbours together to work, buy, sell and cultivate in common, teaching them thereby to look at things from a collective and from other people’s point of view, and to take broader views of matters, appears to me to be the best preparation for that consolidation of holdings which, agriculturally speaking, is a necessity.

However, we have not yet quite done with Agriculture. Next to labouring in common, one would think that in India there must be a splendid opening for the common employment of implements and machinery—quite apart from the employment of machinery for purposes really industrial such as cane-crushing, in dairies, and so on. Once more, there are beginnings in India which promise most encouragingly and only want to be systematised and extended to

become exceedingly useful. Sir Denzil Ibbetson has shown us what has been done in this way in the Karnál District,* where lánas, ráthas and dangwáras, uniting neighbours for the common use of their ploughs, cattle and sugar presses, indicate a natural desire and leaning of the native population to common work and teach the utility of such work. In Europe the war has given a powerful fillip to such form of Co-operation, because hands have become scarce, and also draught cattle, and the very most has accordingly to be made of such working power as remains available. But that is rather Co-operative employment of a more pretentious sort—motors, tractors and the like. Similar common employment has, however, been practised for a considerable time back with the use of less bulky implements by small husbandmen abroad on a large scale. I have been preaching it in England for more than twenty years back. It is, however, only lately that it has been at all taken up in our country. But our small-holders have now come to appreciate it, because they decidedly find their account in it. Be the implement ever so humble, so long as it is not required for daily use on one farm, there is profit in acquiring and owning it co-operatively. And small beginnings may lead to great undertakings. I know of a Co-operative Society in Ireland which now owns a full equipment of valuable machinery of all sorts, besides smaller implements, all of them saving the members a good deal of money and labour, which began with laying down two rupees each member for the purchase of a binder. The saving made on the use of that binder in the first year proved sufficient to permit of the purchase of some other implements. And accumulation went on—the whole amount of machinery worth some hundreds of pounds standing the members of the society in only two rupees apiece. Of course where there is Co-operative Credit—such as there was not in the case referred to—that helps greatly and accelerates the process. I have seen steam threshing machines with engines representing substantial value in Germany owned by Co-operative Societies, to pay the price of which no member of that society has ever been required to put his hand in his pocket

* See "Report on the Revision of Settlement of the Panipat and Karnal Parganah. Karnál District." By Denzil Charles Jelf Ibbetson. Allahabad, 1883.

for so much as a pie. Credit has bought the machines, and their own hire, at so much an hour—a little more for non-members—has paid for them. Now the employment of electric power and light on co-operative lines is in great vogue in Germany, and it saves very much labour and money, and at the present time renders many a troublesome or unpleasant job easily bearable that used by its irksomeness to frighten people. We have one society in England which owns its draught horses in common and experiences no difficulty whatever in apportioning their use to the several claimants. And it is wonderful how even in the use of motor-ploughs, of reapers, of drills and sowing machines and threshing machines, members can without inconvenience or loss make their time fit in with that of others. Indian Agriculture, of course, has other uses for its implements and machinery than we have in Europe. But the principle remains the same.

And then there is common sale, be it of the original produce of the farm or be it of articles manufactured out of such produce. Indians are now trying their hand at dairying. And one is bound to hope that they may succeed. For inquiry and research have shown of what truly vital importance a supply of sufficient and genuinely good milk is to the nation. Indians appear by long habit to have become accustomed to milk which is not only strongly diluted with water, but also dirty and unsanitary. However, there can be no question but that a supply of good, wholesome milk is, as Lord Willingdon has recently pointed out, a great national interest. "The whole of the population requires milk." So he put it. At least what is supplied ought to be of good quality. But that is, unfortunately, just the weak spot in Indian economy. And it is to be feared that bad milk is there accountable for very, very much of what bad health and what poor growth of the rising generation is to be met with. Therefore too much attention can scarcely be paid to the subject. Indians generally do not appear to realise either the great nutritive value of milk and its necessity for human nourishment nor the serious danger that lurks in the diluted and contaminated liquid which they actually consume—so far as they consume any. Our British labouring population is now so keenly alive to these points that our co-operators—a section of the com-

munity representing millions, the élite of the working class—are making special efforts to provide for a pure milk supply by farming their own land for dairy purposes. “So much depends upon the milk-supply,” says the *Co-operative News*, justifying the heavy outlay incurred by the Co-operative Wholesale Society—and other large co-operative societies besides—on the acquisition of land (the Co-operative Wholesale Society already owns over 45,000 acres in England alone, in addition to large tracts for grain-growing purposes in Canada), “that, after bread-supply, there is *no other food more essential* for the Co-operative Movement from the production to the sale.” One is glad to learn that in such places as Benares there are people willing to pay a better price for pure milk. In such places it appears to be only the difficulty of transport which stands in the way. The war being ended, that, at any rate, ought to prove capable of being got over. It has been suggested that municipalities should take the business in hand as a form of “gas and water socialism.” One or two such enterprises as mere “demonstrations” and experiments might not be amiss. But one would not like to see milk-supply made generally a municipal matter. Municipal baking has not proved altogether a success in Italy. Milk is not produced as gas and water are. However, there are such things as motors, to be worked by co-operative enterprise. Among our individualist British farmers co-operative motor service has not proved altogether a success. But on the Continent there is not a little of it, and milk is there, even where there are no railways to forward it, by such means drawn from wide districts. In the United States, under the new system of centralised country schools, school children are carried backward and forward, to school and back home, in publicly owned motor-cars from long distances, being picked up in their rural homes.

It has been pointed out that the fact of cattle being in India prized and kept mainly for draught purposes need not stand hopelessly in the way of due consideration being paid to a sufficient supply of milk. In Germany and Austria cows are very commonly employed as draught animals besides yielding milk for the family—and it may be a little for sale. And there are authorities to justify what otherwise one would think only poverty and not will would consent to.

Cattle are bred accordingly and fed and tended accordingly.

Generally speaking, certainly, good quality in milk appears to be very little appreciated in India. How far it might be possible by artificial means to stimulate a taste for good milk it is not easy to conjecture at a distance.

We have in England a National Clean Milk Society, the researches of which have disclosed even in London a state of things in connection with the quality of the milk—and of course, though that can only be inferred, the resultant bad health—which has been declared “a disgrace to civilisation.” In India things are known to be very much worse. Our Clean Milk Society has no power of coercion or punishment. In the United States local authorities are armed with such of rather a stringent character. People conversant with the matter assure us that milkdealers in New York would have been locked up in jail for misfeasances such as London dairymen have made themselves guilty of every day in the supply of unsanitary milk, which cannot at present be visited upon them. Milk is there (in the United States)—since 1911—classed in three grades: the best fit for infants, the second for adults, the third for cooking. The effect of official control introduced is set down as truly startling. When the service started, in 1911, about 40 per cent. of the milk supplied was found to be not even good enough to be included in class 3. Now there is scarcely any “class 3” milk at all. In Canada authorities are as vigilant and as exacting, and the effect upon the rising generation and on general health is said to be manifest. Generally speaking, so it should be remembered, it was Co-operation in dairying which brought in the purification of milk, because, in the first place, improving the quality evidently must be the most effective means of winning in the competition with the established trade; and secondly, because, once co-operative dairying was practised, insistence upon cleanliness as well as a high proportion of butter-fat became indispensable in the interest of co-operating members themselves, so as to keep the balance fully even. The *gaoli* dealer can blend good milk and bad, and so make things balance for himself; the Co-operative Society has to judge between member and member and see that the supplier of bad milk does not intercept the due reward of the

supplier of good. The matter, it is true, has not quite the same importance in southern countries as in the north. At Ostia in 1895 I found fifty-nine Romagnole labourers' families, a healthy race, "doing themselves well," as they themselves owned, with only one cow among them all. However, after all, we must have milk. That seems one of Nature's ordinances. In European countries co-operative dairying has become common on the very ground of its great utility to the public, apart from its economic advantage to those who practise it. Even in the case of comparatively large herds it is found more advantageous than separate dairying. An old Italian proverb says : *Latte di vacca pessima; latte di vacche ottima* (Milk of one cow, very bad ; milk of many cows, excellent). And the consequence is the more general supply of a genuine superior article. It is not surprising that in India agricultural co-operators should have tried their hand at such form of Co-operation—nor yet that, the state of the market being as it is, the breeding of cattle as it is, and the practices of the *gaolis* and various toll-taking intermediaries as they are, that they should have experienced considerable difficulties in applying it. Nevertheless one cannot help thinking that in due course co-operative dairying, if adhered to, is likely to prove of at any rate nearly the same benefit in India that it has proved in Europe. Even if it were only to extend the consumption of milk, and make the milk milk indeed, that would represent a large hygienic gain for the population. The evidence given before the Bombay Milk Inquiry Committee reads curious to a European. Co-operators have in India begun co-operating in this matter on the productive principle, which is the principle generally adopted in Europe, where it is primarily farmers who desire to gain by acting in common, and where there is a market grown fastidious to keep the quality up to the mark. In India the latter condition is for the present still absent. It needs to be created. And that fact certainly justifies Dr. Mann's warning not to attempt too much at once. Juvenal's precept that if you want to hit the moon you should aim at the sun does not hold good in all cases. Allow for a time "the consumer to transcend the producer." Eventually, no doubt, co-operative dairying will be best practised on the productive basis. But as a beginning, a consumers' society may, with

the power which it is likely to be found to wield, after all, prove the easiest means of creating a market promising to be at the same time receptive and critical. A ready, and at the same time discriminating, market having been created, *gaolis* are likely to accommodate themselves to its demands, intermediaries will be compelled to desist from unjust toll-taking, and breeders of cattle will then try to adapt their breeding to public requirements. Co-operative dairying without regard to quality would be a questionable acquisition. In any case it will be well to think of creating the market first and leave bacteriological examination and the like for a later day.

But it might be advisable to do something in the way of Milk Inspection. Co-operative Dairy Societies in Denmark—model of all models that it is for co-operative institutions in the service of Agriculture—since 1902 have their own arrangements for “milk-testing”—quite distinct from “cow-testing”—as a protection of one another among themselves. “There are now,” so writes Mr. Hertel in his “*Andelsbevoegelsen I Danmark*,” “fourteen such societies with 291 co-operative dairies as members. A Milk-testing Society appoints a “milk-judge,” whose duty it is to visit the dairies comprised in the society in irregular rotation and, jointly with the manager of the dairy visited, to taste and test the milk from each co-operator as it arrives at the dairy. The result of each judging is sent to the members of the Co-operative Dairy Society, and these are instructed in the proper treatment of the milk. The idea is to ensure a supply of fresh and clean milk to the dairy. In some societies deductions in the price of milk are made in cases of unsatisfactory milk; in others a small money premium is paid to the co-operators whose milk has come out best as the result of the year’s testing, which premium is generally given to the person responsible for the milking and care of the milk.”

There appear also to be productive openings for the application in the sale of cotton, in respect of which a very promising beginning has been made in the organisation of markets in Bombay Presidency; and in the employment of the juice of the sugar-cane—out of which, according to the opinion of the German expert Dr. Kaufmann,* the United Provinces are in a particularly favourable position to produce

* W. Kaufmann, “*Welt-Zuckerindustrie*.” 1904.

a superior article. In Germany arrangements approaching to Co-operation are much in vogue for the making of beet-root sugar, the mere sale of the raw article being replaced by something like copartnership, securing, in the opinion of some people, proportionately the greatest advantage to the "cow peasant"—that is, the peasant who is so poor that he has to employ his cow or cows in ploughing his fields, besides giving milk. In the West Indies some twenty years ago we were in hopes of arranging something in respect of cane on the same basis. But it fell through. And cotton is co-operatively dealt with—in a very commercial spirit—in the United States on a large scale. It is there the "Bureau of Markets" in the Department (Ministry) of Agriculture which plays on a larger scale the beneficent rôle which in India Mr. Keatinge has meritoriously made his own. The Director of that Bureau, Mr. Charles J. Brand, writes on this point: "Within the last three or four years a number of such co-operative associations have been formed throughout the Cotton Belt, and these have succeeded in the production of uniform lots of cotton, the building of gins for the ginning of the cotton, and the employment of graders to give them expert assistance in the marketing of their cotton. Examples of such organisations are found in the Imperial Valley Long Staple Cotton Growers' Association, El Centro, California; Tempe Cotton Exchange, Tempe, Arizona; Scott Cotton Growers' Association, Scott, Arkansas; Beulah Marketing Association, Beulah, Mississippi; and the Denton Marketing Association, Denton, Texas. When practicable, the services of cotton experts are furnished by the Bureau of Markets to communities of cotton-growers for the purpose of demonstrating the use of the official cotton standards and the value of knowing the grade of their cotton before sale. County demonstration agents also have been supplied with sets of these standards, which are available for the use of the growers in marketing their cotton." Particular attention is paid to the keeping of pure seed and the establishment of uniform cotton standards, which make the produce so much more saleable. "Keeping pure seed," says Mr. Brand, "is a problem that has been solved by some communities where gins handle cotton of only one variety. There is one county in South Carolina where it is said that ninety per cent.

of the cotton grown is of one improved strain. This gives an advantage in marketing, as buyers know what they are getting even if the crop is sold in the seed."

On the top of this Co-operation has stepped in to sort and grade cotton for the market, just as wool is sorted and graded. It makes the cotton sell very much more readily.

However, the reference to co-operative dairying at once suggests a point to which Lord Willingdon in his recent address to the Board of Agriculture likewise called attention and in respect of which certainly Co-operation might be made to render very valuable service. That is the point of the breeding of live stock. There can according to all accounts accessible be absolutely no denying that the general condition of live stock, of all kinds, is in India backward and uneconomic, and therefore wasteful. "Underbred ponies—bad breeding, bad feeding, bad treatment, undergrown bullocks—show animals which set the pace to the country"—such is Lord Willingdon's description of the existing state of things. To this must be added cows which yield little milk and indifferent buffaloes very liable to rinderpest. That means more than a mere biological eyesore.

No doubt there are also splendid herds of excellent breeds in India, better suited to the country than our European—which Europeans are in the habit of regarding as a necessary condition to good cattle-breeding—would be, just as there are splendid horses and, it may be, some fine sheep and useful poultry. But they appear to be few and far between, the property of large landowners who, like their British compeers, make show herds of them. Now there can be no economy in the keeping of poor live stock. Professor Leitch, of the Agricultural College of Ontario, an institution of authority, in his "Summary" of a very instructive "First Canadian Farm Survey," recently instituted by the Canadian Government, very active as it is in the promotion of agricultural interests, thus puts the point: "The quality of live stock determines the amount of food which may be fed profitably. Heavy feeding of stock of low quality means a loss rather than a gain." We have, in Great Britain, still much inferior, and therefore wasteful, live stock. However, within my recollection we have always taken good stock as a standard and, accordingly, to anyone directly interested

in Agriculture good breeds—whatever be the particular species of animals—have all along been the standard by which we have gauged things. However, I remember how greatly I was struck, during my residence of some years in Germany, fifty years ago, by the miserable state of the peasant's cattle there, the unimproved pigs and the non-descript horses. When, on the farm which I held there during six years, I introduced Shorthorn cattle and South-down tups, people wondered and said they would never do. But when I left the farm, my neighbours were very glad to bid for my stock, and they breed plenty of stock of the same kind now. Indeed, they have mended their live-stock keeping all round and do very much better financially in consequence—as Mr. Middleton has shown. Indians should proceed in something of the same way, if they desire to have more rupees in their pockets—using, of course, their own better breeds for crossing purposes. Generally speaking, they are not on the standpoint of the Swiss small owners of cattle, who have about 850 co-operative cattle-breeding societies, enabling the small man, with his one cow, or a few of them, to rival his lordly neighbour in breeding herdbook beasts, which sell at about five times the price of the ordinary market stock—when the market is favourable—the breeds there kept being in demand for breeding purposes practically all the world over. But in respect of all species of live stock there is quite evidently very much good to be done by improvement, for which Co-operation provides the most convenient—and under some aspects the only—means, not only by the keeping in common of good males to serve as sires, but also by impressing the utility of selecting good females upon breeders. That applies, of course, above all things to milking-cattle and laying-hens. In respect of cattle the question appears a little complicated in India by the fact that it is at the time still mostly draught cattle that is there required. However, even in the case of draught cattle breed is bred. And breed tells in the case of buffaloes as well as in that of cattle. Herds under both heads seem in general terribly backward. And that means loss where there should be gain. For a good cow, after all, is a most paying animal. Our Italian peasant, who borrows money from the Co-operative Society to buy it, says that it “repays its own price out of its milk, leaving the calf over

as net profit." In this matter the formation of what our British farmers still in their elementary way term "cow-testing societies"—which are, of course, all co-operative, or else there are "cow-testing committees" of agricultural societies, but which abroad, more particularly in Sweden, but also in Germany, Belgium, Holland and Denmark, are known as "Control Societies"—have rendered and still render quite admirable service. Even the mere testing of the cows as milkers, with regard to quality, hygienic and nutritive, as well as quantitative, have brought about an entire revolution. A poorly milking cow consumes precisely as much food as a well milking one, and therefore costs in keep the same amount of money. But whereas the well milking cow yields a good profit, the poorly milking one causes a direct loss. Where "Control Societies" or "Control Committees" extend their advisory practice farther, they will tell the farmer how to feed more economically—for there are considerable differences in the feeding value of substances costing the same amount of money—how to tend their beasts most appropriately—indeed, how to farm. Here comes in most strikingly the point already noticed, that Co-operation places at the command of humble, poor raiyats, with their small holdings, and their minimum quantity of live stock, all the resources of perfected science, the brains and experience which have cost much money, at practically no cost whatever.

In Europe the sale of live stock is likewise carried on to great advantage on co-operative lines. Expert salesmen know exactly on what market to place beasts of a certain description, how to bring them there most economically and at the right time, and how to defeat the wiles and tricks of the dealer. For India that is at present still "Music of the Future"—far future, it may be. And it would be out of place, therefore, to go into details on all these matters, which I have discussed at greater length in "Co-operation in Agriculture." However, principle remains principle. And if in India the cattle trade is not what it is in Europe, there is trade in other commodities governed by the same principles. For Agriculture everywhere lives by selling what it produces.

But there is one thing certainly in which India can learn from Europe—and will, if it does so, learn to some purpose.

And that is live-stock insurance by co-operative action. That has in a sense revolutionised small men's live-stock keeping in Europe, not only reducing loss by animal mortality—such as is only too well known in India—but also reducing cost by the greater vigilance and local and personal knowledge enlisted. Co-operation has proved itself not only a remarkable cheapener of insurance, but also a means of making insurance far more effective. In the American Middle West practically all insurance, of all kinds, is monopolised by co-operative organisations—just as in the case of Irrigation, Co-operation has “swept the board.” In our British Co-operative Union co-operative life insurance has been brought down to such cheapness that only 5 per cent. of the premium income is lost on management expenses—in the place of the 30 or 40 per cent. lost on such service in joint stock company dealings, and at any rate of 10 per cent. sacrificed in the best cases of the quasi-co-operative handling of the matter practised in the German Working-Men's Accident Insurance directed by the State. While I was still an active member of the Agricultural Organisation Society in London, we introduced for affiliated societies a method of co-operative insurance, which has proved both effective and cheap, under which the actual executive service is in each district entrusted to a *local* committee, which is of course in the best possible position to judge of the value of an animal insured, of the amount of loss sustained, and of the portion of it to be recovered by sale of the hide, etc., and which can also best supervise the owner of the beast in question, so as to guard against fraud and the incurring of needless risk by carelessness. It is a great merit of Mr. English, the late Registrar of Burma, to have there introduced and so well organised live-stock insurance with a re-insurance scheme at the back of the whole arrangement, towards which the assistance given from public funds is by no means out of place for the time. This is an important point, which our people in England and Scotland have long overlooked; I particularly impressed it upon their attention in my “Co-operation in Agriculture.”

Mr. English has another claim to Indian gratitude and recognition. There is at the present time, when there is “land-hunger” asserting itself everywhere, no more valuable service to be rendered to the community than by land

settlement on co-operative lines. The use of Co-operation I hold to be essential in it. For not only does it greatly facilitate settlement in itself, by planing the way for the acquisition of the land—be it by purchase or by tenancy—on something of an independent basis. Independent it is notwithstanding financial assistance from outside, which in such matters, where money has to be parted with for a long period, is not only indispensable but also financially legitimate, since there is good security, and a valuable public service is to be rendered. In addition also it is desirable, because it infuses from the outset a co-operative spirit into the undertaking, and provides a foundation to be built upon in the organisation of further forms of Co-operation so necessary to-day for small husbandry. Settlers' poverty will not stand in the way, provided that they are men of the right sort, selected or judged as such. All depends upon that. The remarkable success of such settlement in Italy, including the very poorest parts, in which conditions bear some resemblance to those prevailing in India—for instance in Sicily—testify well to the utility of this kind of settlement and augurs well for the success of co-operative settlement in India. One may indeed hope that the example set by Mr. English in Burma will be widely followed, although of course it may well be that in provinces differently situated the work will not prove quite as easy and the schemes adopted may have to be modified.

Housing is near akin to land settlement, and it is encouraging to find that housing likewise has been taken up on co-operative lines and in a co-operative spirit by those who are at the head of the Co-operative Movement in India. Housing seems to take us across the dividing boundary into the urban area—although I should like to point out that Mr. Rao Bahadur Taluaki, of Bombay, is under a misapprehension in laying it down that co-operative housing is *not* practicable in rural areas. We have very good co-operative rural housing in Europe, which has proved entirely successful—so successful, that in Germany Directors of National Social Insurance Corporations, which dispose of immense sums of money, have found it possible and safe to advance up to the limit of 97 per cent. of the value of the newly built houses, provided that they are set up by Co-operative Societies. Other bodies are not trusted to the

same extent. However, the main field for co-operative housing will no doubt have to be sought in more densely populated areas. And in such certainly Co-operation will be in place.

It is in towns, likewise, of all places, that one will want to look for the establishment of those "Stores," the value of which Civil Servants, municipal and mercantile employees and other regular salary-earners with average wants and limited remuneration, have already found out in India. Such societies, as is well known, have contributed immensely to the social enrichment, emancipation and intellectual raising of our working classes in Europe. We are now hoping to see stores breaking new ground and pitching their tents—to stay—also in country districts in England—just as they have done with remarkable success in Switzerland, where they are progressively crowding out the bania. We have them in fact already active in some districts, for instance in Lincolnshire, where capable men have taken up their formation. How readily farming folk take to these "Stores," which cheapen things materially and ensure genuine quality, may be judged by the fact that when I first pioneered the amicable relations happily established between our Agricultural Organisation Society societies and the Distributive Movement, our farmers one and all showed themselves more eager even to buy from the "Stores" than to sell to them. And the last Report of the Agricultural Organisation Society shows that as a result of the understanding effected between the two movements our agricultural societies have in the last year sold about Rs. 1,20,000 worth of goods to the Co-operative Wholesale Society, but bought from it wares to the value of about Rs. 7,50,000. Thus far "Stores" appear to have been established in India mainly among employees, as above mentioned. Distribution being Distribution, and not Credit, there is no earthly reason why separate classes should not form separate "Stores." The considerations which make a mixed constituency advisable do not in this case apply. But, at the same time, we see in the United Kingdom that the distributive societies formed for distinct classes—such as the "Army and Navy" and its imitations, and the Civil Service Stores—which began with a strict exclusion of all not belonging to the particular class named in their title, are now extremely glad to secure the

support of customers from outside, since it is after all "bulk" that tells in such business. These "Stores," by the way, are not really co-operative. They are composed of shareholders who draw enormous dividends, and an outside circle of ticket-holders who patronise the stores because on the whole they find that they buy things cheaper there than elsewhere. Like other "Universal Providers" these "Stores" are simply what the French term "*Économats*"—that is, shops which by means of bulking an enormous mass of business can afford to reduce prices. There is no co-operative spirit in them, nor is any possible, or, indeed, wanted.

The Co-operative Dispensaries, Libraries, etc., which one sees tentatively rising up in India, are really an adjunct to the distributive branch—though the Libraries, just the same as the schoolboys' societies, really deserve to be ranked rather among educational institutions. There is undoubtedly something to be done in this way. In Europe we have got as far as to maintain Co-operative Restaurants, Sanatoria, Seaside Hotels, Holiday Resorts and the like.

There is one great operating field for Co-operation still to mention in India, which to me seems full of rich promise: India has often been called a "A Country of Small Industries." It has been so called by so many authorities that that fact alone would appear to vouch for the accuracy of such nomination. Indeed, in company with Japan—in which country the tireless energy and rare application of small folk, laying sea as well as land under tribute for ceaseless productive exploitation, have found a grateful outlet for creative ingenuity and deftness of fingers in a variety of small handicrafts—India appears above all countries to deserve the name which has been given to it. And in view of the peculiar bent and aptitude which its people possess for its cultivation, in it small industry appears to have a prosperous future before it.

Elsewhere, whatever may be imagined by sanguinely disposed readers in India of foreign reports—which are often enough rather highly embellished official phylacteries to extol supposed official well-doing—small industries are more or less on the wane. Electric power and the steam engine, the demand for *cheap* goods of *uniform* pattern, more or less all of a piece, and, by the side of these potent

forces, capitalist power and the juggernaut of modern labour policy, crushing individualism under its huge wheels of insistence upon collective fighting with an ever-mobilised army, which grudges individual workers their freedom—have wrought sad havoc in this once fruitful field of human industry. Oh, there is small industry still more or less everywhere. On inquiry you are surprised at seeing how much remains, at any rate in the shape of relics, how much, at any rate in respect of variety, has managed to survive capitalist pressure and trade unionist coercion. Nearly forty years ago I took up the study—having all along been warmly interested in small industry, on the ground no less of its picturesqueness as of its economic importance, in what was then my county of Sussex—as unlikely a county, one would think, for the discovery of such survivals as well might be, since it is almost all given up to Agriculture and Villadom. And I found enough small industries surviving to fill a book* with accounts of its various forms, much of the matter so interesting that some of the chapters have been wholly or partially reprinted almost all the world over. A little book recently brought out by the “Rural League” of England, in support of the rehabilitation of small industries, tells the tale of a good many cottage industries which have maintained themselves. And abroad small industries are petted and pushed by Governments with the utmost zeal for more reasons than one. One, of course, is laudable solicitude for the welfare of the rural population. I got much insight into what more in particular German Governments were at the time doing in this respect—and they are still on the same tack, only perhaps with more money—in the course of my very painstaking inquiry into the condition of the rural class of small-holders about thirty years ago. And I cannot help remembering that at that time—when I had written something upon the subject—it was an *Indian* Settlement Officer who encouraged me to carry my studies farther, since he clearly detected the value which the promotion of small industries might have for India. Ministers associated with the work in the countries chiefly concerned show themselves most obligingly communicative in respect of the matter, and I could gather from what

* “Quaint Industries,” 1882, and “Sussex Industries,” 1883. Both at the *Sussex Advertiser* Office, Lewes.

they freely told me that they were extremely anxious to make a great feature in their several countries of the extension and the prosperity of cottage industries. They spared no pains. And the carefulness with which they prepared plans and followed up cues was enough to excite admiration. More particularly were they even then bent upon sound, and minute technical training. That work has been carried farther. And really in this respect German Governments set an example deserving of being taken to heart and, where possible, followed. The schoolmaster, so we know, is habitually "abroad" in Germany. But when it comes to results—other than in respect of quality, which unfortunately does not alone determine success—my informants had to shake their heads. There are certain small industries which pay those who carry them on a good wage. But on the whole the battle is little more than a rearguard action. And even the Governments stepping in to manage the sales—as they do in some parts of Germany—has not mended matters. People interested in the subject will do well not to take all the rosy accounts which official publications and English inquirers accepting information from official quarters rather readily give of what is being done, for pure gospel.

On the other hand it is a gross mistake to assume—as is sometimes pessimistically done—that small industry—looking at it collectively, not merely as a rural by-pursuit—is yielding ground hopelessly to large. Inquiries in various countries—the United States, Belgium, Switzerland—have made this clear. Large industry is growing imposingly and rapidly. Small industry is compelled to yield ground to it in many places. But it successfully manages to dodge and evade it, skilfully creeping out of one place only to crop up once more slyly in another. It bends but it does not break. However, the industry which so maintains itself, and even flourishes, is generally speaking what corresponds to the Indian spinning and weaving—in the United Kingdom it is likewise weaving, the weaving of Harris tweeds and Ulster homespuns, which bravely maintain themselves because large industry cannot compete with them in what requires personal taste and close attention in every piece. Abroad it is lacemaking and that tasteful embroidery which—in Lorraine, for instance—earns the women who ply their

needles upon it a very handsome wage. Many other small industries go to the wall—that is, they continue to exist, but not as small folk's independent industries, being kept in bondage by some dominating financial bania. Thus it is with that picturesque clockmaking in the Black Forest. There is, however, a useful lesson in that. For if those clock-makers—or rather the makers of parts of clocks and putters together of them—had known in time how to combine in co-operative societies, so as to face the bania and organise their own market, as the Irish working under “Pat the Cop”—that is, Patrick Gallagher the Co-operator, of Templecrone—have done, they would in all probability have managed to evade the necessity of bowing their necks under the yoke. The famous watchmakers of Switzerland are still free. To the clockmakers, however, that very intended helpfulness extended to small industries by German Governments formed an obstacle. Government patronage can create the *form* of Co-operation—which in this case was, however, scarcely attempted; it cannot create the *substance*. And Government aid was given in Germany and Austria, in order to *prevent the small industries from organising themselves* to a force which might have had to be reckoned with politically. With the same aim in view it was that the French Second Empire prohibited the formation of Working-Men's Co-operative Societies and temporarily squashed them. Small industries were, and still are, petted in Germany, in order that those who practise them might be kept out of the claws of Trade Unions and Socialists, and maintained in a state of isolation. Co-operation will not grow on such soil.

On the British side of what once went by the name of “the German Ocean” we are likewise bestirring ourselves greatly to revive small industries in rural districts. Towns are no place for them. Sheffield has its host of small cutlers working with hired electric power subdivided so as to serve the purposes of even the smallest man. But that is about all that we have in urban areas. And even the work so done goes to the big dealer. But in the country districts small industries appear urgently called for—all the more, it may be, that the rule of limiting working hours in paid employment threatens to leave much idle time on workers' hands. Shorter hours are all very well. However, there are people who value pence above idleness. And what an

immense amount of time is there in the winter season, in which small industry work, being interesting and stimulating to the mind as well as remunerative, would be a godsend. And that it is which seems to mark out India so particularly as a land for small industries. Here is a population of many millions, ninety per cent. of whom are riveted to the soil, which, in its fragmentary small-holdings, husbandry provides employment only during part of their time, and yet prevents the raiyats from going away to seek a living elsewhere. They have skill, these men and women. What remarkably attractive toys and knick-knacks, but also what charming and artistic articles of silver and ivory, do they not manage to turn out ! And there is much small industry surviving, not only of the comparatively "heavy" kind, to which we are bound to look specifically for popular breadwinning in the future, such as spinning and weaving. Mr. B. A. Collins has in a recent number of the *Bengal Co-operative Journal* reckoned up a whole host of such industries. Professor Radhakamal Mukerjee supplies even a fuller list, showing the great variety in which indigenous small industry survives. And Mr. Ewbank found in the course of a recent inquiry that small industry figures very largely indeed in Indian economic life as a whole. There were a short time ago, so he shows,* of the 315,000,000 peopling India, 35,000,000 depending on Industry. Of that number 18,000,000 were dependants, leaving 17,000,000 actively employed. And of these only 823,000 were known to be employed in power mills, leaving 16,693,000 occupied in small workshops. That clearly shows the capacity of Indians for small industry, and the readiness with which they take to such industry as to a congenial calling. But those 17,000,000 do not remotely represent the total of only partially occupied employable labour that the country has to deal with. However, there is no reason why the balance should remain so very insufficiently employed. For, if India, on the one hand, possesses the requisite working power in the shape of many millions of only partially occupied arms and hands, directed in many cases by very capable and in almost all cases very docile and teachable heads, on the other hand the wants of its population are so simple, so few, and so primitive, that hand power and the skill of a simple rural worker, working with simple implements, will suffice to turn out what will meet them

without any further material paraphernalia. They do not want to be prepared in parts, like a piano, to be eventually put together by the last highly skilled worker, but may be fully completed in a simple village workshop.

Conditions therefore appear to be favourable from the outset. However, it is not primary elements alone which make the successful industry. People talk of organisation. And, rightly enough, they are very busy with appropriate instruction. That is the feature in respect of which Germany, with its elaborate teaching apparatus, with its technical schools, its itinerant teachers, its exhibitions and demonstrations, can teach us a useful lesson. There can never be too much instruction. India already possesses something of the kind. Those weaving schools, those fly-shuttle demonstrations and the like, of which we read, are admirable institutions in their way, full of promise, which want to be pushed. However, the crux of the problem lies in the market. That is in every country, wherever small industry and co-operative organisation, both being necessarily in the same boat, exist, the governing fact of the problem. And it presents a hard nut indeed to crack. We, in the United Kingdom, are likewise exerting ourselves to push small rural industries. We likewise possess the available power in the shape of only partially occupied hands and arms—not to the extent that India does, but quite abundant enough—especially in Ireland, where small-holdings are common. We too have men and women of undeniable skill and creative capacity, brimming over with ideas, and manufacturing most tasteful, often quaint, generally original, articles. In our Exhibitions of such goods, held periodically, people who see the things wonder at the skill and taste which have presided over their making. Our “Rural League” is active, promoting the matter. In Ireland the United Irishwomen—a most deserving body of women workers—are doing all that they can to push it. We “organise,” too—although not as we should. But it is the want of a receptive market which forms an obstacle to success. That is, of course, the trouble in connection with all co-operative production. And Indian small industry must—like all small industry—be *co-operatively* organised, or it becomes—or rather remains—a bania business almost necessarily impregnated with “sweating”—which is just.

what our weavers and shell and conch and lac workers, silversmiths, ivory carvers and the rest of them, want to get away from. The only hope of Indian small industry as an economic power, a breadwinner for the raiyat population, lies in Co-operation.

In the United Kingdom we have found a capital remedy for the want of a market in our distributive societies. One may be very thankful to Lady Carmichael and her fellow-workers, and other kind people like herself, for organising the "Bengal Home Industries Association" in Calcutta. And one would wish it a hearty "God-speed." It will certainly help to advertise small industries. And it may lead to a limited number of sales. However, we have tried similar institutions in England and in Ireland. I have seen them tried abroad, at Rome, at Milan, at Paris, at Lyons. Lady Brabazon has one store in the West of London. We have had one in Bethnal Green. Our productive Co-operative Societies have had one in Bloomsbury. Nowhere have the results been of any magnitude. Really such stores and exhibitions produce only comparatively trifling sales. And in all such sales there is a smack of patronage and favour. Things are bought, not because they are wanted, but because kind people wish to assist a good cause. There is only little *bona fide* free marketing. Our productive Co-operative Societies find the main outlet for their wares in the distributive societies, which, indeed, take them in part from a feeling of fellowship. However, such sentiment is accountable only for a small part of the determining motive. The distributive societies have actively interested themselves in the matter by taking up shares. And they have done so, because the productive societies produce articles *that they want*, of good quality—not knick-knacks, toys, shellwork and similar articles, but boots and shoes, clothes, furniture and the like. So profitable has the custom of our distributive societies been found to be—although in their members' interest they insist upon cheapness—but on the other hand they have proved very loyal customers—that one large clothmill in Yorkshire is actually credited with having transformed itself into a co-partnership concern—which makes it a Co-operative Society—for the sake of thereby securing the custom of the great Co-operative Market. Now Indian weaving and spinning would appear

to stand on the same footing as "useful" industries, for the products of which a large market is conceivable. But unfortunately in India you have not yet got those powerful distributive stores, which, indeed, up to quite recently constituted in their power a speciality of Great Britain. That seems one reason the more for seeking to establish "Stores," one more tempting beacon light shining for them in the distance. Create a distributive market, and you will not have to tout for customers for your small industries. Meanwhile, it must be admitted, there is a stiff soil to plough. When Mr. Hope Simpson took up the co-operative organisation of weavers in his province—the United Provinces—at his instance I exerted myself in London to find customers for them. I was given to understand that there was no difficulty about getting rid of the *kashi* silks in India, but that *brocade* was difficult to place. I knocked at more doors than one that seemed likely, but found them all barred. All this business is so rigidly organised that it is not easy to get one's foot in—especially while there is no certainty about the reliability of the goods and the regularity of supply. That reliability may, according to the class of wares handled, consist in uniformity, or certainty of supply in stated quantities, or in some other attribute.

Our productive agricultural societies secure a market by grading their goods, ascertaining and scrupulously meeting customers' wants and likings, supplying goods of the required uniformity, or else variety, and with the required regularity and so on. Without that they would have to beg for a market. It is these things which want impressing upon those whom it is hoped to interest in small industry. And organisation and instruction will do it. Instruction and demonstration in small industry—agricultural or other—is a thing about which the Government need not be chary. There is a great deal of that done at the public charge in Europe and in the United States. And it is found to bring in its reward. Some of that instruction goes to the benefit of Agriculture. And with the variety of produce raised in India, much of which is distinctly racy, of the soil, it must be odd if one or other agricultural speciality could not be found that might be cultivated and pushed in the way of a help for slack time.

And by the side of weaving and spinning, toy-making,

silverwork and the like, there is the great industry of small folk, fishing, in which, according to Mr. Southwell's testimony, Indian fishermen get very badly treated indeed by their salesmen. We have a similar tale to tell of small folk's fishing in Europe, including England, Scotland and Ireland. Existing organisation is so strong. Billingsgate and its provincial counterparts dominate and are so tyrannical, and fisherfolk are so timid and so difficult to organise, that it proves a tough job to make head against this organised sweating. On the enemy's side Organisation arranges itself. Mr. Fremantle has recently been busy trying to do something for our fisher folk on our West Coast. But it does not seem to me that our Board of Agriculture and Fisheries set him on quite the right tack there. However, quite recently an Irish priest in a very remote part of his country, the Aran Isles, has by very simple organisation, into which he threw his head and his heart, taking the lead personally, scored on a small scale a great success, emancipating the local fishermen slaves from their hard taskmasters and securing for them a greatly increased return for their produce—very nearly doubling the price—which makes a very considerable difference to the toilers of the sea. Irishmen somehow have the knack of hitting upon the right method in these things, over which we in Great Britain bungle till they show us the way. In the same way as Father Farragher in Kilronan has Patrick Gallagher—grown famous in Ireland as "Pat the Cop"—defied, braved and overcome the Irish banias by means of Co-operation and converted his erst seemingly godforsaken desert, with scarcely anything in it but stones, far away from railways, into a prosperous industrial beehive, in which women and girls now earn previously undreamt-of wages, knitting gloves for the War Office. "Pat" began with selling eggs—over the heads of the banias, who, supposing their monopoly to be unassailable, would not give the price. He got it elsewhere by taking trouble. From one thing he advanced to the other. And now he is at the head of a flourishing co-operative concern. Everywhere where Co-operative Production, including the collection and sale of domestically produced small handmade wares, has been made a success, that has been due to the effects of some level-headed capable man who has thrown his whole heart, and what people call his "back," into the work.

These things do not work themselves out by themselves. Technical schooling, extremely valuable as it is, will not alone ensure success. You must have a man devoted to the cause. Here *labor omnia vincit*. Co-operation fortunately can produce all besides—and it ought to have it in it to produce such men also, since there is nothing to generate enthusiasm like it, once it fixes its eyes not on the material gains only to be got out of an enterprise, but upon ideal aims. Co-operation will supply the money needed. It knows how to organise, even under difficult conditions. It can purchase raw material cheaply, collect ready wares, place them on the market. Please God, local leaders will be found for it also. For it must mean a great deal for the people of India, with much idle time, much national need, generally speaking good aptitude, and, one would think, a ready disposition to urge to it. To the country it would mean pure gain if it could be organised. All the other industrial schemes that we have heard of, which are to take bread out of “foreigners’” mouths—as in the fable greed took the piece of flesh out of the dog’s mouth who dropped it into the water snapping at its reflection—give up something in order thereby to secure something else. Mr. Chamberlain urged us not to spend our money abroad for things that we might make for ourselves at home. However, our people are occupied. If they are to take up something new, they will have to give up something that they do now, which may be worth more to them. I remember the late Lord Airedale, one of our engineering kings, remarking to me at the time of the Milan Exhibition: “There is S—— (the British Exhibition Commissioner) worrying me to exhibit at Milan. Why should I do so? It would cost me £1,000 or more. And I have as much work as I can do.” But here is idleness to be turned into employment, with nothing to lose by it. *Ex otio negotium*. Those hands to be employed have nothing to do now. It is not exportation, as Professor Taussig has only a few months ago, in a magnificent address, explained to a Congress of Members of the United States Chambers of Commerce, which enriches a country. “Balance of Trade,” he says, is an illusion. It is Production which creates wealth and prosperity. Well, here is wealth to be got out of poverty, production out of idleness. God grant it prove possible

to organise these small industries and bring prosperity to them. If the administrative authorities will help with instruction, it is Co-operation, and only Co-operation, which can bring the happy result about. And a brilliant triumph it will be for Co-operation if it can succeed in doing so.

X.

THE FUTURE

THANKS to the vigorous action of the Departments and officers concerned—already supplemented by very welcome and highly useful support from volunteer workers—and the declared appropriateness of the co-operative institutions recommended to the conditions of the country, a great deal has already been accomplished in the creation and expansion of the Co-operative Movement in India—quite enough to entitle those concerned in the matter to a feeling of pride in their success.

There is, as already indicated, disappointment expressed in some quarters, to the effect that our “great deal” is not a very great deal more. There is a colossal empire to be captured, and thus far only handfuls of seed have been strewn out and brought to sprouting point. Good people like to aim high. And fond reformers hope to see the world changed as by a touch of magic. The most impatient critic for the present, Sir Daniel Hamilton, has himself avowed that “when I called the Young Men’s Zemindars’ Society” into being I seemed to see the vision of a new India rising from the old. Well, that “new India” which was to reach “from Burma to Bombay, and from the Himalayas to Cape Comorin,” with “villages linked together into Unions, and Unions into larger Unions, reaching up to a golden dome above,” has not yet come. Please God, it *will* come. But such transformations are not to be completed in a day. We are, as Sir Robert Carlyle has rightly pointed out on one occasion, at a Registrars’ Conference, building, not for the present only, but for a long—let us hope, a very long—future; and we have to take care that our plans are correct and our materials sound. Jerry-building, which runs up pretentious façades in no time, will not answer for the purpose. We have to see above all things that our foundation is sound.

However, even when all this impatience is discounted, it will have to be admitted that vastly more remains to be done than has been already accomplished. And by the light of the experience thus far collected we shall do well to reflect on what will have to be done, or may be done, to accelerate future progress and widely to expand operations. We are engaged upon a great work, which is not purely economic or financial. The best part of it really is social.

Now, the roots of the social system lie deep, and branch out far, and, to reach them requires careful, as well as patient and steady labour. The merely partial success of the well-meant Inquiry in the United States instituted by President Roosevelt's "Country Life Commission," under which prolonged, and certainly skilful and intelligent, investigation and reflection proved powerless to bring about anything like unanimity among the inquirers, and therefore ended in the submission of a Report which is weak because avowedly it represents only "a compromise," indicates the gravity of the difficulties to be grappled with. However, the breadth of the programme set before us wants to be continually borne in mind.

Let us consider the work to be accomplished. Be the number of the villages to be affected what it may, be it 700,000, less or more, there can be no denying that we have a work before us of colossal magnitude, a field to cultivate of almost boundless extension, an immense lump of dough to leaven with the Co-operative Spirit, which is to convert it into good wholesome bread. Now let us begin by asking what is the relation between our "dough" and the "leaven" that we are employing.

Let us for the moment assume that we are using the right leaven and that we are using enough of it. What is the condition of the "dough"? Much must depend upon that. For it is the "dough" for the benefit of which the leavening is to take place. What receptiveness does it show for that ferment? On this point pretty well one and all witnesses heard agree that the "dough" is not by any means in an ideal condition to "take" the leaven and to respond to its stimulating action. There is a favourable natural disposition, no doubt, and there is unquestionable willingness. But the burden of all reports received is to the effect that Illiteracy and Ignorance stand almost hope-

lessly in the way, constituting a hindrance omnipresent, paralysing, and in itself productive, like acidity in the soil, of all the rich crop of poison-weeds actually to be found luxuriating in the shape of economic and social abuses—the selfish greed of the administrators, the impotence of the administered, called upon to check such action, and—to name but a few further items in an abounding crop—the mistaken impression prevailing as to the state of the law, which gives the mahajan so easy a handle to use against his victims, which makes fishermen, as Mr. Southwell complains, reluctant to accept the proffered hand of co-operative help, and which deters raiyats from irrigating their fields because the malik's consent is supposed to be necessary, when it is not. "Against Ignorance," according to the Latin proverb, "even gods fight in vain." If progress is to be made, such as is desired, that Ignorance will have to be overcome. It is Illiteracy and Ignorance which stare us in the face in the *panchayat*, at the General Meeting, in the wide surroundings from which new members are to be recruited. The coveted gold is within their reach; they need but stoop to pick it up; but in their ignorance the rock which contains it appears to them to be but worthless rubble, such as the South African mineral appeared to local residents before an English traveller by chance detected the precious ore concealed within its stony crust. "Nobody can work for any length of time among the societies without being struck by the great drawback which the movement suffers by reason of the illiteracy and the ignorance of the members of the rural societies. Those members must be educated, if they are ever to learn their rights." So wrote a Registrar early in the present year.

There is great trouble about finding a man learned enough to do the secretary's simple work of very elementary book-keeping. And when a man equal to that task has been discovered, his fellows' ignorance generally makes him, to their hurt, their master and the arbitrary disposer of their funds. That it is which has led to the appointment of "group secretaries," who, often enough, lord it over members in an even worse fashion than does the society secretary, and with even less right, inasmuch as they have no personal interest whatever in the society for which they keep accounts and write minutes as salaried servants.

It is Ignorance and Illiteracy everywhere. That prevents people understanding the principle and object and character of Co-operation, and it prevents the practising of Co-operation, as it should be practised, to secure them its full benefit.

Now this cannot be left to continue. If you want to grow a remunerative crop of wheat, you want to make sure that you have a well-tilled field, ploughed, cleaned, harrowed and with a well-pulverised tilth, upon which to strew your seed. Indian Registrars are still compelled to strew theirs among unbroken clods and on couch-covered waste. The "tilling" of the mind is Education.

Now there is no one who knows anything about Co-operation who will not readily attest that Co-operation in itself educates—that in one sense indeed no better educator is to be found. It is not belying its character in India. Evidence to this effect has been quoted in a preceding chapter. One of the most remarkable, the most promising results of its action there indeed is the inspiration which it has infused into those who in the rudimentary way still only possible to them practise it, of an intense keenness for the acquisition of knowledge—general knowledge as well as technical. It is not only that they want to do better for themselves materially. It is not only that they want to learn the methods of Co-operation—the "Nine Points," or whatever the number may be, prescribed to them by Registrars. They want to learn to read, to write, to understand. And they also want to know how to carry on their trade of Agriculture better than they do now. Many societies, to do them justice, readily and heartily respond to that eagerness according to their power. They willingly apply to the Registrar for permission to expend the "10 per cent." of their annual surplus which the Act allows them to employ on works of common utility, for educational purposes—money for the *guru*, for whose accommodation societies have out of their funds set up humble residences; money for the society *pathshala*, which is becoming a familiar feature; for classes, libraries and the like. There are societies which have required their secretaries to give lessons to the children of members on several days in the week as one of their official duties. From more villages than one comes the information that, if parents can only manage to pay the

guru's modest fees, thanks to the society's fostering care, Education will be at the call of every one of their children. To state one instance, from Ranchi, where missionaries are active among a generally backward population, comes the advice that soon enough "every child whom its parents can spare for the purpose from the fields, and for whom they can pay the small fee, will have Education within its reach."

Here is recognition of the fact that it is not purely co-operative training that is coveted, but general education—and, once more, not merely the elementary knowledge for which a very unlearned Lord Mayor of London, Alderman Curtis (believing in his ignorance that he was quoting the very initials of the words), coined the well-known title "the Three R's," but through them, and through the instruction acquired with their aid, to secure the rudimentary formation of the mind, the awakening of the intellect, automatically extending the sphere of learning. "There is not a man who has done work for the cause," so writes one active Registrar, "without broadening his mind and his sympathies, while acquiring much fresh knowledge. . . . Our village societies with unlimited liability, once started, commenced to improve in quality and to show a spirit that had not been expected to appear so quickly. From the ranks of the society capable men commenced to appear." Our British Co-operative Societies teach their children co-operative principles. They have special courses, and award prizes to the winning competitors. But of the crore and a half of rupees that they expend annually upon "Education"—inclusive, it is true, of a certain quantity of "entertainments"—a goodly portion goes to *general* schooling, with the endowment of "purses," "exhibitions" and "scholarships," even at Universities. In the famous "High Schools" of Denmark—which are quite unique as manufactures of learning for the rural population, raising Danish youth to the highest standard of mental culture known anywhere among people of the same station—it is, as a rule, neither Agriculture nor Co-operation that is taught, although both Agriculture and Co-operation benefit phenomenally by the teaching so given—but *general* knowledge. The seedbed is thus prepared, carefully pulverised, drained, irrigated, subsoiled, hoed and fertilised, upon which intellectual seed of any kind may be strewed,

and will thrive—as will also that real Agriculture and real Co-operation of which it is the type, and for which it is the preparation. It is not “coaching” or “cramming”; it is real forming of the mind, which produces capacity for the acquisition of all knowledge.

No doubt better use might be made of the education which Co-operative Societies in India are evidently only too ready to impart. One Registrar writes to me: “I am very glad to see that you think Government should do more to help the educative side of the movement. It is now pouring out crores on elementary education, the great bulk of which is expended on children—who get no farther than an imperfect mastery of the alphabet—which is no distance at all. The teaching of a Co-operative Society to run its own business, whether through propaganda staff or through audit staff, is an economic education of considerable value, and a few thousands of rupees spent in this direction would give Government much more tangible results for the expenditure.”

Aye, but that rather confuses matters. For Co-operation is indeed there to teach. But to teach as this gentleman would have it is not its proper business. It does it now as well-meaning people teach as a service to their kind—say, in a Sunday-school. They render this voluntary service, yielding it because there is no one else to do so. However, in truth, such teaching, bringing the youth of the nation up to the mark of being prepared for acquiring more, even though that only still be purely rudimentary, knowledge, clearly is the duty, as we now understand it, of the community. It is the whole community that stands to be benefited by it. The teaching that Co-operation can give, and is called upon to give, is in the main that which it imparts in the practice of Co-operation. *A force de forger on devient forgeron.* The blacksmith, the carpenter, the bookbinder—the man of any craft—learns his craft, not by having “nine points,” more or less, dinned into him, till he can repeat them by rote, very probably without their conveying very much meaning to his mind; but in practising his trade. It is in practising Co-operation that people learn to think as members of a community, with due regard for others; that they are brought to understand the value of collective progress, collective improvement,

the raising of the status of the community, giving up something to its service, not as a sacrifice, but as a duty to the race—besides that principle of business, without a knowledge of which no one can expect to do well economically. That is why we are right in welcoming those schoolboys' Co-operative Societies, formed in imitation of some students' Co-operative Societies in England—Oxford leading the way—as preparatory teachers of Co-operation. The petty savings which the boys make in their purchases of stationery and the like very probably will fill their young hearts with joy, though they amount only to rupees. However, the boy that has been a member of one such society, and taken an interest in its doings, is likely to take an equal interest in the doings of a larger society in after-life, to prove a better man of business, a better citizen, a better man. He may be assumed to leave school fairly well grounded in the rudiments of Co-operation. If he belongs to the higher grades of society he may be expected to become an active apostle of Co-operation, like the University students of Finland who have, with their unselfish and devoted zeal, proved the main making of that admirable Co-operation of which we admire the rapid expansion and fruitful results in their country. However, when all is put upon Co-operation that Co-operation can carry, general education of the child still remains a matter for the community at large. Co-operation will come in to help, so we may be sure. But the ordinary school is a department for the public administration to take charge of, since, as observed, it is the community which gains the benefit from a better taught, better mannered, better morally schooled, and therefore more easily governed population. There is elementary Education wanted before Co-operation steps in to improve it. It was Switzerland which first taught the world the lesson that public money spent upon popular Education, even to the extent of opening to every child in the country, assuming its capability, a free road up to the highest points of University Education, is not by any means money thrown away, but on the contrary money exceedingly well laid out for the benefit of the community.

Regrettable as it is, it is a striking fact that, as compared with other civilised countries, it is the countries in which the English language is spoken which are particularly back-

ward in specifically rural elementary education. In no other civilised country does the same state of things prevail. Everywhere else—in Germany, France, Denmark, Belgium, Switzerland and so on—is rural teaching treated as a speciality with a distinctly *rural* tone given to it. Among English-speaking people it is not so. The United States are now putting their shoulder to the wheel, having discovered the defect, which was as glaring there as it is in India or, for the matter of that, in England. For we in England are in precisely the same case. There is plenty of education among us. But what is sadly, badly wanted in it is what Mr. Brooke Hunt, of the Board of Agriculture, has in his evidence, given in the course of an inquiry on the subject recently held, aptly termed “a rural atmosphere.” The consequence is that young folk so educated either fix their gaze upon some other calling—for which in fact they have been virtually prepared in their schooling—and accordingly desert the fields and villages; or else that those who remain behind, being mainly the dolts, whose deficient intelligence does not fit them for such ambition, remain practically the dolts that they were, forgetting in very little time the unsuitable learning that was mechanically filtered into them. We are now trying to amend our educational system in England by a very thorough reform. But who can tell whether amid all that thinking and scheming for the raising of future *softas* proper justice will be done to the denizens of the fields? In America they have become aware that strenuous labour in that direction is required. “We want,” so a leading agriculturist, Professor at an Agricultural College, exclaimed at one of the latest Congresses on “Marketing and Farm Credits”—that is, practically, Co-operation in Agriculture—held in the United States, “a veritable campaign of Education.”

In India the situation is even more serious. For not only is there, as Mr. Wynne Sayer has shown, no rural tone in rural Education, but there is much too little teaching altogether. “The rural pupil,” so Sir James Meston has put it, “is at present the Cinderella of our educational system.” “Teaching,” says Mr. Wynne Sayer, Assistant to the Agricultural Adviser to the Government of India, “should have more relation to the environment of the children. Textbooks suitable for urban primary schools

are not suitable for village schools and at present they are common. Hence children in village schools become rapidly divorced from their father's profession. In arithmetic who teaches should deal with sums relating to payments of rent, real measurement of fields, calculation of fields' products, etc." "It is only developed intelligence," so he goes on, "that can follow the abstract. Children should go from concrete to abstract, and from practice to theory." The matter is understood to be now occupying the attention of Government. Let us hope that it will be satisfactorily settled. Education is a wide field to operate in.

Mr. Wynne Sayer's remarks of course have reference specifically to Agriculture. But the interests of Co-operation and Agriculture in respect of rural Education run upon very much the same lines. At its tenth meeting the Board of Agriculture in India passed some very emphatic resolutions exposing the absolute insufficiency of the present educational system for rural wants. One resolution there passed explicitly declares that "the present system is wholly inadequate in respect of the provision of suitable textbooks and premises and, above all, in respect of the training and pay of teachers." Another resolution rightly reminds the Government and the public that "an improvement in the economic condition of the agricultural population of India is a matter of the most fundamental importance to the country." And it freely speaks of "revolutionary improvements needed in the system of Education." Writing as a Registrar of Co-operative Societies (in Bihar and Orissa) Mr. E. L. L. Hammond, in his interesting and suggestive Report for the year 1912-13 points out the various troubles to which want of education exposes the rural population, alike in their practice of co-operation and in the abominable and extortionate fleecing which they are made to undergo at the hands of the mahajan, who methodically trades upon their ignorance. Mr. Hammond quotes cases of the grossest injustice and says that "the only permanent remedy lies in Education, not necessarily in an increase in the number of colleges and law classes, but in an increase in the number of village schools and an attempt to make them popular. Primary education must precede any improvement in village life, whether agricultural, or economic, or sanitary." The sooner it is recognised that, as

Mr. Hammond here points out, it is ignorance rather than absolute need which hands the raiyat over helpless to the Shylock mahajan, the nearer shall we be found to be to a solution of the troublesome social and economic problem which lies like an incubus on rural India. The very help that we are endeavouring to give in the shape of Credit Societies has been shown to be useless so long as the raiyat does not fully seize the knowledge how to avail himself of such assistance. However, there lies needless trouble beyond that. The mahajan has made the notorious Arthur Orton philosophy his own, which lays it down that by a wise ordinance of Providence there are "sharps" and "flats" in the world and that the natural mission of the "sharps" is to exploit the "flats"—the "flats" in this case being the ignorant raiyats. Mr. Hammond goes on: "Unless Government is prepared to pay the bill, villagers in the interior will be disinclined to employ the trained *guru*. . . . On the other hand, they are genuinely anxious that their children should not suffer as they themselves do from the want of elementary education. The problem is to make our system fit in with their ideas. If the boys were taught in the Roman character, I believe the parents might be prepared to welcome the innovation and feel that they were getting something new for the extra payment. The present system leads to no real use. Some textbooks are in the Kaithi, some in the Devanagri. Any 'peshkar' takes a long time to decipher a document written in Kaithi. Our police reports are now written in Roman character. The idea of a smattering of English is very attractive to the people. As one man put it to me, when his sons went on to Assam, during the cold weather, they could not read their railway tickets nor the names of the stations. If they knew the Roman character they could." Against this last-made argument it may be quoted that in Bombay Presidency the new institutions teaching in the vernacular are reported to have proved a valuable and welcome innovation. In any case Mr. Hammond appears to be fully right when he insists upon the necessity of multiplying, pushing and popularising primary village schools. That is the root from which the educational plant will have to spring and through which to draw its sap. The Board of Agriculture some months ago stressed the necessity of more Middle Schools. That may

be right from its professional point of view. But for Co-operation certainly it is primary schools education which is above all things called for. And Co-operation promises to do more for Agriculture generally than Middle School teaching.

In truth a great point, alike for the prosperity and the extension of the Co-operative Movement, would be gained if you could manage to catch your co-operator young, to instil co-operative ideas into him and impregnate the growing generation with a knowledge and love of co-operative principle. That would probably do more for the expansion of the Co-operative Movement than the attempt advocated to force adults, grown up amid other ideas, which have become hardened in their minds, into organisations which under such circumstances would in all probability be co-operative only in name. "Unless the people are taught in their villages what Co-operation is and what they can gain by it," so rightly remarked Mr. L. E. Buckley at the fifth Co-operative Congress held at Madras, "they cannot be expected to come forward and ask for societies." That applies, of course, to adults as well as to children. For adults a staff of travelling teachers is wanted, steadily on the move from village to village, capable of explaining the benefits, in the first instance economic—because such are the most alluring—to be secured by Co-operation. The United States and Canada are at present working that method of instruction with studied energy with regard specifically to Agriculture, doubling the number of their "county agents" and "county representatives." There is now scarcely an elementary school in the United States in which some agricultural instruction is not imparted. The French apply the principle in the matter of Forestry. In their *scolaires forestières*, set up in wooded parts of the country, they systematically bring up their young children to a knowledge of silviculture and forest work—and get a good deal of the latter done by the young folk gratis. The growing generation wants to be taught something about Co-operation in the same manner in their schools—more particularly if the *pathshala* is run in part or altogether by a co-operative society. However, such theoretical teaching will not go far enough. What is required is practical demonstration and elementary practice. One is glad, as

observed, to see schoolboys' Co-operative Societies finding their way into Indian organisation. There is not much money to be saved by co-operative distribution among school children. However, in Oliver Goldsmith's words, "little things are great to little men." But the great point to be gained is that such Co-operation—Co-operation of the most elementary sort as it is—is bound to awaken an interest in those who practise it. At the same time these children learn the rudiments of co-operative practice, elementary book-keeping and the like, and come to be good recruits for the great co-operative army that we hope to see rise up in course of time. Mr. Ewbank deserves the thanks of co-operators for having encouraged this elementary Co-operation in his Province of Bombay, where, a little while ago—apart from the well-known instance of Belgaum—there were reported to be some 270 schoolboys' societies in existence.

However, the side of Co-operation which is most likely to interest Indian raiyats is not the distributive, but the productive, and specifically the agriculturally productive, side. Now in this respect the United States and Canada once more can give India very useful instruction. The material to which such infantile Co-operation should be applied will of course in many respects be different in the oldest part of the old world from what it is in the new. But the practice and principle will be the same. American Agriculture and American Co-operation, on both sides of the St. Lawrence River, owe a great deal indeed to those didactic pig, and calf, and corn, and poultry and canning—also gardening—clubs, to which with good reason Mr. Fremantle has called attention in his pamphlet on Education. Gardening clubs are now becoming a great feature. Those clubs—often called "Demonstration Clubs," because they teach by demonstration—which are, according to their several composition and occupation, in use for both sexes, have done not a little good in the new world. A recent report shows that there were nearly a year ago certainly about two million boys and girls enrolled in such organisations; and the number kept continually growing. Mr. Joseph Hirsch, a gentleman in a position to know, says that "it was the work of little boys and girls in corn, cattle and pork production that created a veritable agricultural

metamorphosis in the South. We had been sending millions of our dollars out of our borders for meat and for other food and foodstuffs. To-day that is rapidly being changed." To a great extent these clubs are fathered by bankers, who supply the money—by way of advances—finding themselves conscientiously repaid, and looking for a reward for their services in the banking custom to be expected from the new young folk as they grow up. The clubs, rendered more attractive by periodical competitions, turned into feasts, with money prizes, certainly have a remarkable effect in stimulating interest and teaching good practice. There are the pig clubs, in which each boy takes charge of a pig, to be either fattened or, if it be a sow, to be made to bear a good litter. Then there are the calf clubs, in which a calf is treated in the same way—already to a not inconsiderable extent by girls as well. There are cow clubs and poultry clubs for both boys and girls. Besides learning how to do things, the young farmers in this way earn a good profit, which they themselves as well as their parents value. An American paper tells of a boy who in 1917 borrowed 50 dollars wherewith to buy a pig. "Last autumn" (still in 1917) he sold 245 dollars' worth of pigs, yielding him a net profit of 195 dollars. A fact of perhaps greater importance from a public point of view is that, as the Department of Agriculture officially reports, through the medium of boys' clubs pure pig breeding has become common in the South, "where formerly a well-bred hog was scarcely known. Thousands of pure-bred pigs have been distributed among the boys with excellent results." The pig is not in India held in the same estimation that it is in America. But what has been done with one species of animal might be done with another. The main point is that breeding of live stock may in this way be rapidly and effectively improved. There might, for instance, in the hilly country of India, be bee clubs. Then there are seed clubs, greatly favoured in America, and doing a deal of good, which might, as one would think, prove applicable also to India. Children are set to select with care the best ears in a field of wheat, or whatever the crop may be, of their parents, and collect a certain quantity, sufficient to "breed" from, which bagful is duly used for "plant-breeding." That instils a great deal of useful knowledge into infantile

minds. Children learn to distinguish one "breed" of plant from another, so as to be able to keep their seed pure, and acquire a great deal of botanical knowledge, apart from an interest in corn-growing. Then, again, there are the canning clubs for girls, which, in a country like India, which has so much—mangoes, liches, jack-fruits and the like—to bring into the world's market, ought to be acceptable as an instructive institution. Such canning clubs are now multiplying fast in America, where people proverbially "eat what they can, and can what they can't." And they lead to practical results.

Here is one instance, quoted from the Secretary of Agriculture's last *Yearbook*, as being reported by the well-known authority Mr. Bradford Knapp, who is at the head of the "Teaching and Demonstration Bureau": "In Florida, club girls are taught to preserve figs. Those figs are so well preserved that in one village an order promptly came in for 5,000 jars of them. Girls are also taught dairying, household work and sanitation. The result of teaching the last named was, as Mr. Knapp reports, that during the school term following this service *not a single case* of contagious or preventable disease occurred." That would surely be an achievement in India. In his last *Yearbook* the Secretary—that is, the "Minister"—of Agriculture writes in favour of the clubs generally: "The boys' and girls' pig and poultry clubs are valuable agencies for enlarging the meat output, as well as for training and developing the coming generation of farmers. The membership of both classes of clubs more than doubled during the year. The pig clubs now have more than 21,000 members, and the poultry clubs 8,500." In respect of plant-breeding, the production of good, pure strains of wheat and other produce, likewise such clubs are known to have rendered useful services, such as certainly, one would think, must be acceptable in India, whether the crop be wheat or rice, cotton or jute.

Certainly there is, under this aspect, a great deal to think of and to reflect upon. The great commandment to be steadily borne in mind will have to be: Educate! The trouble is that questions of this sort are as a rule taken in hand, not by those who have well explored, and therefore know the territory to be cultivated, its needs and the tastes

and likings of the people to be benefited, but by men of the "superior" sort, dons and "great guns," who have not the requisite touch with the units of the flock to be shepherded. Now it is extremely difficult for a "superior" man to think for "inferiors." It may be hoped that the ball set in motion by Mr. S. N. Roy in Bengal may be made to roll on in the rural direction. For without Education of the right complexion, to begin with, we cannot look for very perfect Co-operation, nor for very rapid advance and extensive spread of the same. Once fairly good elementary education, of a rural character, is provided, Co-operation may be trusted to perfect itself effectually, as it has done in France—witness Lord Reay—eminently so in Switzerland, in Germany, and above all things in Denmark, which decidedly leads among nations in Agricultural Co-operation. The question is even more serious for India than it is for countries in Europe or in America. On either side of the dividing-space Agriculture is bound to suffer under the want of Education. But in India there is for the rural population practically no other outlet, as there is for ours in our several industrially more developed countries.

With appropriate Education provided, the native leaning of the population of India toward common action, and the motive power of its needs may, one would think, be relied upon to secure to Co-operation a freer course and so to lead to a multiplication of beneficent co-operative institutions.

That may be held to dispose generally of the question of what in my simile I have called "the dough." Let it be well kneaded with instruction, and it will be ready to receive the leavening ferment and respond to its action. But now, how about the "leaven" to be used? Is that of the right sort? And is there enough of it? I will put the last point first.

The general import of the information coming in from the quarters most capable of judging—that is, from the men who are in constant and immediate touch with the "dough" and on whom the task directly falls of "leavening" it—appears to be that there is not. And the fact that there is not enough appears to account for the further, rather saddening, fact that, as a natural consequence, those who guide the movement seem a little in danger, under pressure of the work put upon them, of falling away from their original

high ideal and aim, and straying on to paths on which there may be danger to be encountered. Co-operation started at the outset with a quite diminutive pioneer force to plane the way. It seemed "a large order" indeed to expect so small a band of missionaries to convert India, with its "700,000 villages," to the gospel of Co-operation. Since then the task to be accomplished has assumed very much more formidable proportions. We have indeed *got* Co-operation—at any rate the skeleton framework of it, the dry bones, waiting for sinews and flesh to be laid upon them, and the breath of enduring life to be breathed into them. We have got an army. We have the chief officers, with whom no fault is to be found. But where are the musketry instructors, the drill sergeants, the non-commissioned officers? Without their instruction, without their drilling, the army—host of untaught recruits that it is, however large—cannot accomplish its task. The want of such instructing, such watching, such calling to order, and putting to rights appears to be felt at all points, not in one place only, but everywhere.

The one thing above all others now most urgently needed evidently is inspection—frequent, searching inspection, coupled with impressive, methodical instruction, such as may be relied upon to leave a mark upon minds, very much more than those printed handbooks, "nine points" and so on, which are now issued from headquarters, can impart. However, there is no sufficiently skilled staff to carry out such inspection with anything like the thoroughness, the intelligence, the regularity and the frequency that there should be. Hence in great part the rather ominous results to which allusion has been made more than once in what has been here written. Registrars appear to me to be in danger, for the sake of expediting and multiplying business, of falling away from the genuine co-operative standard, introducing, one after another, mechanical devices and rule-of-thumb methods, to make things more manageable, so as to enable them to get through their work—easing such for those who have to perform it, but at the same time unfortunately also rendering it less safe, less educating, less in accord with co-operative ideals. Some of these practices have been incidentally commented upon. The matter is of specific importance because, as will have to be borne in

mind, Co-operation in India occupies a totally different position from what it does in those European countries which can alone be compared with it, inasmuch as they are the only other countries in which Co-operative *Credit* is the principally accepted form of Co-operation. In those countries Governments do a great deal in connection with Co-operation—to a considerable extent they do more than is at all desirable. But they do not represent the prime moving or driving force. It was *private* individuals, attracting a private following to themselves, placing before their followers a distinct specified programme—narrow, as it may seem to some, but all the more intensely cherished and the more energetically pursued—who took up in each case their own particular cause, by the side of one another, each section working for itself and for that reason working all the more strenuously. There was accordingly, and there still is, a private driving-force at the back of Co-operation, holding well-defined views, pursuing well-defined ideals, working from intense conviction, employing all its energies towards the attainment of a desired, well-defined end. Each particular type of Co-operation thereby becomes a definite thing. And the resolution which prompted to its prosecution is a wonderful generator of power and energy, far more impelling than any influence that a Government could devise. Throughout the movement it may be noticed that it is a special object pursued which nerves to an active propaganda and to self-sacrifice and vigour. Among the followers of Schulze Delitzsch it is the principle of pure self-help, as opposed to Government assistance and domination; among the followers of Raiffeisen it is the moral good of those who enlist under their banner; among the Socialists it is the hope by unceasing effort to realise the Socialist ideal of a collectivist Commonwealth; among the Slav societies, alike in Austria and in Prussia, it is consciousness of a nationalist interest requiring defence, which prompts them, as the German Herr Wrabetz, of Vienna, has owned in his paper, to put far more “back” into their movement than do the Germans; among the “Catholics” it is the good of “Mother Church”; and in all these organisations it is moreover the specific co-operative programme framed—tolerantly intolerant, if I may so put it, that is, readily bearing with others in their own conduct of matters, and

recognising them as brother co-operators, but allowing only one particular code in their own organisation, which has inspired the zeal and energy with which these people work—ready, if need be, to make sacrifices for the cause. They are not thinking simply of making life easier or cheaper. So far from asking anything from Governments, the organisations here referred to—in contrast with those formed for political ends—show themselves particularly anxious to be let alone by Government. Their own zeal is considered enough driving-force for them. Animated by such ideas these people come forward willingly to teach, educate, pay for their own credit, their own inspection, their own “publicity.” They pay their own leaders, so far as such require to be paid, as making a profession of their labour.

In India things are widely different. There are people there sincerely anxious for the spread of Co-operation and willing to work for it. But there is as yet too little cohesion among them to make of them a sufficiently propelling moving force for working for one common distinct ideal. Indeed their ideals and aims go not a little apart. And all their programme and their “Credo” may be said to be still in the making. Above them, as the real motive and driving-force in the matter, stands the Government with necessarily very neutral views, prompted by the most benevolent intentions, but by reason of its very neutral tint not calculated to inspire keen enthusiasm, still rather seeking for a final programme than working from such. Quite necessarily under such conditions, and not by any means wrongly, the Government has to trim its sails so as to catch all winds, allowing free action to its local agents. It lays down general rules in its Acts and Resolutions, and the Report of the Committee on Co-operation—to all points in which I must candidly confess that I do not subscribe. I am by no means thinking of censuring this. Nothing else was possible in India. But it carries its own drawback with it. There is no other way for proceeding than that described when the Government is the moving force. The Government desires to see Co-operation established and prospering. But it naturally leaves the discovery of the best methods for practising it to those actively engaged in the work. It has declared in favour of no school. It has taken the lead because there was no one else to take it. The thing *must*

be done. So the Government has stepped in to fill the hiatus. It has no predilections, but wants to see that established which is found to answer best. That gives breadth, undoubtedly, to a programme. But it does not generate the maximum of propelling and leavening force. It makes Co-operation accepted, not as a dictate of convinced enthusiasm, but as a dose of medicine prescribed by a kindly intentioned physician. All this is unavoidable. But it is a factor to be reckoned with when we compare progress in India with development in Germany or Italy. The Government encourages, but it cannot propound a decalogue, such as M. Luzzatti, or Schulze Delitzsch, or Raiffeisen could put forward. And those who work to back it up are not leaders in the matter among the people directly interested, but its own agents, whose views necessarily vary—and it is well that they do so.

And not only do their views vary, but their persons change. The Indian Schulze or Raiffeisen of to-day is something else to-morrow and sees his place in the organising phalanx taken by a newcomer with possibly quite different views, certainly a different face, with which the co-operative herd has still to grow familiar. That makes a great difference. There is surely no ground whatever for any complaint about want of zeal or energy shown on the part of Registrars. Quite the reverse. There could not have been better labour given to the cause. However, the Registrars are here to-day and gone by promotion to-morrow. Accordingly continuity becomes a doubtful quantity. One Registrar prescribes compulsory deposits. His immediate successor taboos them. One Registrar asks for compulsory powers. His successor declares such entirely uncalled for. One Registrar pleads with native eloquence for "Guaranteeing Unions." His immediate successor states his disbelief in such. One Registrar will not have a rural society number more than twenty-five members, and wherever there are more in the same village willing to join, rules that there must be several distinct societies. Another goes straight against this, and even unites—quite rightly—several hamlets into one for society purposes, objecting that the existence of several societies in the same village is certain to "crystallise party" and mean strife and envy, and that contiguous hamlets may well be joined together.

And so on. One could not expect Registrars to sacrifice their further career for the sake of Co-operation. But there is the awkward fact to reckon with that, instead of having one Schulze Delitzsch, one Raiffeisen, one Luzzatti, with a staff of their own training, wedded to their cause and faithful to their co-operative career, there is a kaleidoscopic succession of men, with no permanent staff around them, no *sacramentum* to bind them to any particular colours, each being given only a few years for his own brief career in the cause, all of them, practically speaking, happily good men, but some not disinclined to paddle their own canoe and mix up borrowed items taken from various foreign systems with a possible prospect of creating a Frankenstein hotchpotch of co-operative odds and ends.

That makes it all the more desirable that volunteer workers should be enlisted in plenty. They would represent a great help indeed for Co-operation. Among volunteer workers one can look for some permanence in residence, accordingly some continued action and some identification with the particular locality. Also for continuity of plan. Traditions are likely to harden, habits to be formed and rules made permanent. Evidently there are excellent men for such work in India. However, their number is still far too restricted. They would have the future of Co-operation in their hand, like a truly beneficent fairy, carrying a cornucopia laden with good gifts for the country. But there are too few of them. Go to a German, a French, or an Italian Co-operative Congress and see how strongly volunteer workers muster there. Or pursue them into their villages. Half the strength of the European movements comes from the intelligence and business experience voluntarily enlisted there in the service of Co-operation. One could not, of course, in India, with all its difficulties, its distances, its want of communications, look for anything of the same sort. But it would be an excellent thing indeed if—by degrees, at any rate—something like it could be created.

Now, in default of such volunteer assistance, the Government appears disposed to beat up its own official body-guard, directing its District and Revenue officers to take an active interest in the operations of Co-operative Societies, to attend their meetings, take the chair—whether members or not—and broach any subject that they feel moved to

take up. Certainly one would wish agents of the Government to show favour to Co-operation. However, the way proposed is evidently not quite the right one for the purpose. There is too much belief, as it is, that, because the Government is the moving factor and urges people to join societies, the whole thing is in fact a Government "machine," financed, endowed and worked by the Government, that it is Government money that is being dealt out, and that, accordingly, so long as no compulsion is applied, repayment is not a matter of necessity, and vigilance and discrimination in the employment of money is not called for. It is supposed to be for the Government to see to that. The ex-officio presence of Government officers, other than Registrars, as ex-officio supermembers, is sure to intensify the vicious misapprehension. Besides, it means steering the craft in the wrong direction altogether. For Co-operation is self-government, self-help, self-determination. What you want to teach Indians is that in the society all are equals, have equal rights, and also equal responsibilities. Mr. G. Deshpande has pointed out the difficulties already to be contended with. "There are," so he writes, "the social disunions and party factions existing in every village. The old *panchayet* system has disappeared, and the Criminal Courts are but a poor substitute for the adjustment of minor quarrels and petty jealousies. The headmen and their families have always enjoyed certain social privileges and rights, what we call 'Man-Pan.' In fact my lawyer friends tell me that phenomenally heavy sums are spent in the assertion of these rights. In truth the whole of our village system is opposed to the idea of equality. Co-operation, on the other hand, is wholly based upon equality. It is therefore not to be expected that the seed of Co-operation planted on such uncongenial soil will germinate rapidly."

Accordingly the thing to be done, evidently, is to kindle and stimulate the sense of equality among members, to bring it home to them that in the society all are equal, and encourage the rank and file to assert themselves, and not to intensify the feeling of disparity by the introduction of ex-officio members as superiors.

If Co-operation is to develop, those who practise it will have to be taught by degrees to do without their present official go-cart, not to be strapped up more tightly in it.

In the early days of the movement I begged Registrars to keep the District Officers as much as possible out of the movement. And they wrote me that they were doing so. Why then turn round now upon the policy which on the whole has answered as well as it could be expected to do in difficult circumstances ?

If the Co-operative Movement is to prosper, people will needs have to be taught to do things for themselves and to supervise their own officers. As things stand, that can be no easy process. However, such aim should be consistently kept in view.

Now, if that is to be brought about, there will have to be a deal more teaching—teaching, first, of the sort already spoken of, to be accomplished under Government authority in the primary schools; and teaching, next, such as Co-operative Societies themselves can best administer. Under that head the weakest point in present organisation without question is that of Inspection. Almost every Registrar's Report complains of the want of Inspection. That is the diapason sounding through the entire harmony struck up. And that is in itself a serious admission. For all Co-operative Credit hinges absolutely upon efficient Inspection. Inspection is, in co-operative matters, the Education of Educations, the soul of the entire science of Co-operation. And, as matters stand, unfortunately there seems no ready remedy for the want. It is not the Revenue Officer or District Officer's eloquent but necessarily only very general oratory at a society meeting that will supply what is wanted, but the critical examination of the Society's doings by an expert, who can lay his finger upon the very spot where the evil lies and say : "Here you have done wrong ; this is what you ought to have done," gathering the society, or at any rate the *panchayet*, round him and driving his lecture home. And then he must come again, and see if effect has been given to his bidding, and carry his teaching farther. For it will have to be continued while the society lasts, but will of course prove most needful, and at the same time most laborious, in the present, being an early stage. Now this, of course, is inherently the society's own work—the work of the associated, or, as it is called in India, "federated," societies—and eventually they will have to find a way for doing it. It is for their benefit, not only momentarily, as

keeping business straight, but permanently, as creating a settled rule of action, ensuring continuity of policy, capturing public confidence and so strengthening Credit. However, for the moment, to undertake such work is beyond their power. In the first place there are no "Federations" of the sort suggested in existence. Registrars and others interested in the matter meet once a year to discuss things in their particular province in a free and easy way, and once more, collectively at Simla, as a meeting for all India. There things are talked over, not without some repetition, which is not in every case profitable. Resolutions are passed. And according as he is inclined the Registrar then in his particular province revises his programme accordingly, and inserts new items, or else he does not. It is always he who dictates what is to be done. The appointment of a Committee made at the last Conference to consider, as it seems, the creation of a more permanent central organ, is a step in the right direction. But even that, of course, could not bring about the formation of a "Co-operative Parliament." Such all-Indian Conference could have no power to prescribe anything. It may record the views of people interested in Co-operation, but not of the Co-operators themselves—from whom, indeed, at the present time, not much could be expected. But, organisation rather of patrons than of beneficiaries as it must be, it might prove something of a beginning and give continuity, national character and unity to the movement.

The other reason why federated societies cannot yet undertake the "federal" Inspection which is so much needed—a different matter altogether for *Credit* than for other forms of Co-operation—is that, even if a Federation existed, they would have no money for the purpose. Now that defect is remediable. The Government has quite rightly directed that societies are henceforth to pay for their own audit. It is no more than fair that they should be made to begin to pay their own way and answer for what is instituted for their own benefit. And perhaps that will help to teach them what for the moment they probably do not nearly fully realise—namely, that it is for their benefit, and not merely a whim of a pedantic Government, resorted to to keep things safe, so as to spare their liability. And they ought now to be in a position to afford the small charge. However,

Inspection, such as one would like to see it to be, above all things during the present stage of evolution, is a more laborious and more costly matter than mere audit, calling for the services of more highly skilled officers. Auditing, it is true, is likewise out-and-out best done by skilled men. We are insisting upon that in the United Kingdom—in the place of the audit permitted by two unskilled members—even for distributive societies. And in view of such a number of societies as there are already in India there ought to be scope for the employment of competent trained auditors at only a small fee, such as is established among societies of the British Co-operative Union. But audit is only a matter of accountancy. Inspection means much more. The Inspector employed should be the real teacher of Co-operation. In Europe—meaning the Continent, where alone Co-operative Credit is practised and therefore the necessity arises—he is made to go through a regular course of training and to pass an examination. One is glad to see—in Bombay; it may be also in other Provinces—courses of training established for Secretaries of Co-operative Societies. That is decidedly a step in the right direction. But once the movement is thoroughly organised, there ought to be also regular courses for Inspectors. And those Inspectors ought to become the backbone and the regulator of the movement—being themselves of course fully responsible to superiors, who will have to consist of the Committee of the Federation and the Federation itself—though distributed over Provinces. But they will be, so to put it, the permanent civil servants of the organisation. Only by such means can the weight of responsibility which now rests upon the Registrars—who are made to be the arbiters in everything in a so-called “self-help” movement—be gradually lifted off their shoulders. They cannot evidently always remain *P’état c’est moi*. There will be quite enough for them to do when the Co-operative Movement will have become self-governing. Our Registrars in the United Kingdom do not complain of having too little to do. And they perform most useful work and put a clear impress on the provident work that is going on under their guidance in the kingdom. Their business is to see that the law is obeyed, that the accounts published are correct, that the several movements remain sound. But they do not interfere in the actual management

of societies. They do not decide who is to be trusted and who not, and to what extent he is to be trusted. All that is left to the societies themselves. They are left free to put into the reserve funds what they think right, to keep that reserve fund "liquid" to the extent that they deem proper, to limit or fail to limit the business of each member, to deal at lower prices or else pay a heavier dividend, to levy entrance fees or not, to allow whole families to join or only one member of each family, to vote for charitable or educational purposes what they please, and so on.

Indian co-operators have not yet got nearly to the point at which free handling of the matter is possible for them. But they must by degrees be brought nearer to it. Hence the necessity of Inspection—careful, expert, independent, searching Inspection. Lord Curzon has paid me the compliment of stating that it was in deference to my opinion that he curtailed State aid. But there are occasions in which State aid is perfectly in its place. There are in fact two kinds of State aid. There is State aid in support of *business*; and that should be anathema. No society has a right to claim that. I have Mr. Gladstone on my side, besides many others of high authority, in asking for this. When our Friendly Societies Bill was before the Commons, and again the Industrial and Provident Societies Bill—which governs Co-operative Societies—in the early sixties, he distinctly laid it down during the debate that *money* must not be given (so as to lighten the cost of provident action) but that *exemptions* and *similar helps* to encourage the movement are legitimate. But for such State aid our Friendly Societies Movement, which now answers for so very much good done among our working classes, would probably at one critical period have gone down. The small amount of money help towards business decreed in 1904, and given afterwards, is now at any rate growing perpetually smaller. Assuredly under conditions as they are in India it was needed at the start. But the time is nearing when it will be unnecessary. On the other hand, the need of money help for teaching purposes has become progressively more urgent and pressing. On teaching—which interferes with no rival interest—so all authorities agree, the State may without fear of doing mischief spend as much as it pleases. It ought, I think, at the present juncture to

take charge of the cost of that Inspection, which is in Co-operation the most valuable and—once the movement has attained the dimensions of that in India—the most indispensable kind of teaching required—or of as much of it as the movement itself is not in a position to take upon itself. The charge should not be contemplated as a permanent burden to the State. As a capable staff came to be organised the service might be expected to become self-recruiting and eventually self-supporting. And in any case, once societies have grown sufficiently strong to bear the cost, that cost ought without question to be put upon them. And with that they will have become at least half self-governing. Then the burden upon the State will cease—and very many of the troubles which now beset the progress of the movement may be expected to come to an end. Under a competent provincial Inspection, we may expect local society Inspection, by supervising Councils, to work its way in. We may look for a cessation of *panches* monopolising all the benefits for themselves. We may look for less shirking of repayment. We may expect to see less recourse to Civil Courts, altogether less litigation, less abuses generally. And we may also look for a better general understanding of the principles of Co-operation and a correspondingly more rapid growth of co-operative spirit and practice, which in itself is the best pioneer for an extension of the movement, eventually, let us hope, to all the “700,000 villages” of the country.

It is, at any rate in part, for want of a sufficient, and a sufficiently skilled, inspecting staff, that Registrars have been tempted upon paths which, if farther pursued, threaten to lead to some extent away from true Co-operation, some of which have already been pointed out. Naturally when the burden of work becomes excessive, people charged with it have sought for means of lightening it in some way or other, in order to enable them to get through it somehow. That is the way in which the spinning-jenny and a thousand other labour-saving appliances have come to be invented. Workmen exerted their inventive power to lighten the labour for themselves. That has been a benefit to Industry and to the world. However, in the case of Co-operative Societies, it is not lightness of labour which determines the value of the institution. The point is, to have the thing

well done. Under pressure, never too light, but now become heavy, we see Registrars resorting to new devices for cramming a gallon of work into a pint pot of time. Those methods apparently achieve their immediate end. But they do so in some cases at a prospective cost of principle weighing very much heavier in the balance than the gain now secured. Inspectors set to inspect an unmanageable number of societies of necessity inspect irregularly and somewhat perfunctorily. Under stress of the additional burden imposed, we see all manner of labour-saving devices adopted. We see the *baissiyat*—which is a useful method enough in its proper place—accepted apparently in lieu of careful inquiry into the merits of each case. That means that property, a capitalist test, is being substituted for the quality of character and opportunity, which is the co-operative. The co-operative test, to be sure, means more trouble. But it helps the poor people whom it is desired to help. We have, on the same lines, the “Guaranteeing Union,” to save the lending body the trouble of inquiry. And, to make matters more convenient to Central Banks, we actually have a proposal before us to compel societies to join such Unions, although the Reports of Registrars show that the latter are distasteful to many. For want of proper training and inspection local societies are held not to be equal to the task of deciding who is to be judged deserving of being lent to—which task is put upon the Central Banks, that is, of institutions which cannot possibly obtain the information necessary for forming a judgment. Accordingly, once more, property, the guarantee, is substituted for inquiry. Again, only to make things easy, cash credits are recommended. Even the classing of societies, which is scarcely quite fair to them, is, for the sake of the Registrars’ convenience, to enable them to get through their work, made a semi-mechanical business, with societies classed as A, B, C, and D. Now, if societies were schoolboys, moving up into higher forms, that would be as right as could be. However, they are intended as business bodies, pledging their security for deposits. And to brand them as C and D, for a year or more, means to deprive them of the very means to mend their character. “The poor man has no credit because he is poor ; and he remains poor because he has no credit ; so we keep on moving in a vicious circle.” That was,

Giustino Fortunato's plea for the formation of Co-operative Credit societies. Are we to deal with societies as the world is here shown to be dealing with poor individuals? Classification is all very right as a matter between the Registrar and the society, though a reasoned judgment, passed by a capable Inspector, indicating clearly on what particular points the society is ranked as C or D, would be better. But to put a society into a public pillory, which must needs spoil its credit, is a matter of doubtful propriety. Nor does it seem strictly necessary, since, as matters stand, on questions of credit the Registrars, who know whether a society is A, B, C, or D, appear to be regularly consulted. Local people, the people to be appealed to for the paying in of deposits, may be trusted to judge whether a society is worthy of their confidence or not. Co-operative Credit is a most valuable boon. But it certainly is not altogether an easy thing to handle. It ought always to be borne in mind that its object is not to make things easy for the administrators, but to supply what is wanted to those who require it. And if there is not sufficient power to discharge that task, additional power ought to be created. That will not, as already observed, have to be for ever. As societies become educated, and eventually emancipated, the burden would become more and more shifted upon them. Of the precise time at which such transformation would become effective—it has not yet come—only those who are in direct contact with the mass of co-operators can properly judge. Still, that must remain the goal to be made for. Even if Registrars possessed the apostles' power of discernment of spirits, they could not with confidence pronounce a fully trustworthy judgment on all questions now referred to them. Once the movement is fully developed it will be the Registrars' business to decide whether a society should be registered, whether its registration should be cancelled, and to see that it complies with the law. The question of particular loans will then have to be left entirely to the societies, which are responsible in the matter, and which will only learn to appreciate and realise their responsibility if they are, bit by bit, however slowly, made to exercise their discretion on their own judgment. That, obviously, brings us back to the great point of Education. For it is only by Education, strenuously and judiciously applied, that co-

operators and the societies in which they are associated can be gradually brought up to the point at which they will be able to fend for themselves. And such Education will be found well worth even a fairly liberal supply of public money. "Education," so the American Senator Benjamin Hill has declared, "is the one subject for which no people ever paid too much. Indeed, the more they pay, the richer they become. Nothing is so costly as ignorance, and nothing so cheap as knowledge." Certainly, if Co-operation is to fulfil expectations and carry out fully its high mission, it is desirable that out of its present chrysalis stage it should by degrees emerge as the perfect butterfly, winging its way freely on lines similar to those on which we see it prospering elsewhere—not as a Government-imposed, Government-led, Government-overruled, more or less stereotyped, institution, but as a free, self-governing movement, for which self-interest, prompting to different applications, under different conditions, provides the driving-force. There cannot be one rule for all, as there must be under Government direction. Government rule tends to sameness and unity in *application*, when it is just in application that diversity, according to local conditions and local tastes, is called for. And where such diversity should be, only local people, acting for themselves, can determine. There must be unity in *principle*. And such unity is to be secured only by the conviction of those who act in the matter. You cannot, as the Latin proverb puts it, hunt with unwilling hounds. Principle, without conviction and a keen desire among those who adopt it to see it enforced, will not be respected. A Government may legislate and pass whatever Resolutions and Decrees it pleases. Proverbially, there is not an Act of Parliament through which you could not drive a coach and four. Once the stage of maturity has been reached, the movement must become the movement of the members themselves. To make it so in India is indeed a difficult task. The most efficient helpers towards its realisation, as already observed, will be—if they can be found—volunteer friends to the cause, impressing a racy stamp upon each particular form of application, endowing the movement with continuity of aim and a distinctive character, and making it self-contained and self-reliant, with a keenly felt sense of responsibility aroused in all its

parts. Once that point is reached, Indian Registrars will be able to supervise the whole thing just as English, Scotch and Irish Registrars of Friendly Societies supervise Co-operative Societies at home, which thrive all the better for being left to fend for themselves, one in principle, very diverse, according to circumstances, in application.

All this relates to the point which has been raised of the *quantity* of the "leaven" used. The "leaven" itself appears to be sound enough. Indeed, never do Registrars appear to have been more active and eager, and the Department which governs them more alive and attentive to the wants of Co-operation so far as such are at present discerned. And I may add that never do Registrars appear to have been more resourceful. If in the exploration of their resources one or other should have occasionally lighted upon a barren vein of supposed good ore, there is nothing to be surprised at in this. And he is not likely to persevere.

However, there are other hindrances standing in the way, which certainly deserve the attention of the Government and which appear removable by its action.

One such is the apparent impotence of societies when having to do with refractory debtors. There have in the past been many complaints about this. Why so many Civil Courts should deliberately confirm refractory debtors in their contumacy, by declining to give judgment against them, and, in addition, by disallowing penal interest—which is a well-recognised and well-established institution in the case of Irrigation Loans granted under the two Acts authorising *takavi*, and on the necessity of which a late Lieutenant-Governor of the United Provinces has expressly insisted—one fails to see. It only means making the contumacious still more contumacious. Not content with sheltering the dishonest debtors from the justice which they are there to administer, it appears from a Report of one of the Registrars that "the Civil Courts seem to delight in putting obstacles even in the way of arbitration proceedings by visiting petty oversights (in such) with uncalled-for rigour. A President of a Co-operative Society omits to describe himself formally as such in an arbitration award, signing only his name. The award is quashed. He omits to put a stamp on the deed. He is fined 10 rupees." This would strike people in Europe as childish. But it is also extremely mischievous. In one

important case the High Court appears to have upset an adverse judgment of this kind. However, there are munsiffs who have declared themselves still bound by the rulings of the lower Courts. And it is not everyone who can afford to appeal to the High Court. Such jurisdiction tempts one to consider "Mr. Bumble's" verdict upon "the law" to have been not altogether founded upon imagination.

While Civil Courts remain what they appear to be, judging Co-operative Credit Societies as if they were profit-mongering mahajans, and taking advantage of every false statement made by the mahajan, every petty flaw in the proceedings, to let off the usurer, we shall needs have to look for better justice for ourselves. It grates upon one's sense of propriety to read in a letter from a Registrar: "The subordinate staff of the Civil Courts are so corrupt and so frequently collude with the judgment debtor that even with the concession (a reference to arbitration still to be explained) the existing machinery is lamentably ill adapted to recover money owed to a Co-operative Society by a dishonest member." The application of the Public Demands Recovery Act, under which the Registrar examines a case and certifies for the Court to collect, as under English law a barrister certifies for accelerated procedure under Order XIV., ought of course to be restricted only to cases of societies in liquidation. Application to such will be sufficient. The concession to a right to arbitrate referred to by my correspondent appears to be this, that the Registrar or his deputy has become entitled to act in company with two other arbitrators to be nominated severally by the two contending parties, the society and the defaulting member, as a determining tribunal. The decree of such tribunal the Court is required to execute as if it were a judgment of its own. One would hope that such process would be left only "a rod upon the mantelpiece," kept there *in terrorem*. Under ordinary circumstances moral influence and pressure by the society ought at any rate in course of time to become equal to the task of enforcing repayment. And then much will be gained besides the actual recovery of the debt in question. For the entire *moral* of the members would have become strengthened.

We see the effect abroad, wherever Co-operative Credit has become fully acclimatised. There is no worse poverty

than exists—or existed some time ago; for with the expansion of Co-operation things have appreciably improved—among poor *contadini* (that is the Italian for “raiya”), in Italy. Yet these people have proved honest to the last stiver. Even *contadini* emigrating to the United States, to Brazil and to Argentina, beyond the reach of Italian justice, when owing a society money, have from the far and secure exile repaid it fully and honestly. They would not defraud their old comrades.

The question of penal interest for delayed repayment touches societies as nearly; and really one cannot see why such penalising should have been disallowed. If the law prescribes that, the law ought to be altered. However, we are told that a Higher Court has pronounced in its favour. Then why are munsiffs still allowed to go on on the old disallowing tack? Penal interest is, as already observed, exacted without demur in the case of Irrigation Loans, which are practically on a par with the loans which Co-operative Credit Societies grant. And while Lieutenant-Governor of the United Provinces, Lord Macdonnell, who surely is a good judge, has added the weight of his authority as a patron of Co-operation to the recommendation that it should be permitted. Prohibition of penal interest leaves societies without a weapon for exacting what is indispensable for the good conduct of their business. In the absence of the right to levy it, one or two Registrars have had recourse to the expedient of advising societies to charge a higher rate of interest than has been usual on loans in general, and allow a discount when the proper date is observed. That is a very good practice in itself, which has been adopted with very salutary effect by Raiffeisen societies both in Germany and in Italy, in their early days—however, with a very different object in view. The ordinary rate of interest was in such societies not raised. But borrowers were allowed a discount if they repaid *before* the stipulated date. That might mean a trifling loss to the society in each particular transaction, but it secured a gain to general business by the formation of the habit of punctuality in repayment and a desire to get out of debt as soon as possible. To make the margin between discount and nominal interest really penal, so as to make of the higher charge an actual deterrent, that margin would have to be made very wide indeed—wider

probably than people would be prepared to put up with. In any case Co-operative Credit is not likely to gain by unnecessarily high rates of interest, though they be quoted only *pro forma*. One would think that in this matter the Government might come to the aid of societies.

Another point which seems to call for attention is the transmission and safe custody of money. In some provinces the Government appears to refund to societies a substantial portion of the cost of remittal of money by postal order. In Bombay that portion is three-fourths. Possibly that practice has by this time become general. Certainly whatever facilities can be granted in the matter either of transmission or of safe custody it will be, as Mr. Gladstone has urged, in the interest of the community to concede.

Many of the minor troubles with which the cause now has to cope would, as observed, have a good prospect of being removed if the movement were to come to be organised on independent lines as a self-inspiring, self-propelling movement. As one step towards this, it may be well to recall a proposition made at the Simla Conference in 1900 by Mr. Dupernex and there disregarded by his colleagues—namely, for the formation of local Organising Committees. Why that recommendation—which one may be glad to note has nevertheless begun to be acted upon independently in at any rate one northern province—was ruled out of court at Simla, it is difficult to conjecture. Mr. Dupernex, indeed, imported a decidedly objectionable financial feature into his proposition. He proposed to draw largely upon the public purse, so as to make money rather than inherent merit the driving-force. Any money help given should be strictly safeguarded as to right employment, and restricted to what cannot be raised otherwise.

Now in respect of such minor troubles, just as in that of the graver ones of misfeasances and abuses caused by want of understanding and knowledge of the co-operative principle, the Co-operative Movement would probably occupy a much firmer stand if it had an organised body of volunteer workers of fair practice to stand up for it and press the claims of the movement upon the authorities, whilst at the same time also labouring systematically and steadily to raise the educational status of the shepherded flock. It is not leaders that are wanting under this head. For India

possesses admirable, highly capable, and genuinely self-sacrificing volunteer workers. However, they want to form an organised body of comrades. Apart from the point of money, the Conference at Simla might have accepted Mr. Dupernex's proposal. As regards money help for societies, guarantees are, where practicable, preferable gifts, because they put the first responsibility upon the persons who employ the money. There is in that case a third party to answer to. That enhances the sense of responsibility. We tried here, in England, in the early days, to form volunteer Committees of Guarantors. However, the Registrar of Friendly Societies would not allow me to put anything about that into the Rules. Otherwise, the question of guarantee apart, an active and interested Organising Committee, composed of persons who understand Co-operation, might do a great deal of good. And whatever it did would come ten times better from it than from the Registrar, while also holding out a prospect of continuity and permanence.

Thus far I have in this chapter, for reasons easily to be divined, confined my remarks to Co-operative Credit only. And, fortunately, it is only the particular form which Co-operation takes in the case of Credit which presents the "wire entanglement" difficulties that we have had to consider and which, thus far, we have failed completely to cut through. And that is just because it is Credit—that is, because it is not the dealing out of goods or work in exchange for money, as in the case of Supply or Distribution, or else of Production, nor the mere provident distribution of risks as in Insurance—which solves the difficulty by excluding risk, but the parting with money in exchange for security, non-existent, or existent only in the shape of the raw, untooled material, the manufacturing of which out of such material has proved one of the knottiest problems of the age.

As we come to Supply and Distribution—which are the same thing in principle, Supply being the collective purchase of goods for further productive employment, Distribution the purchase for purposes of consumption—our barque glides into smoother water, not altogether devoid of reefs and shallows, but unruffled by cross-currents of distinct schools or parties—otherwise than Socialist and Non-Socialist. And our progress becomes all plain sailing. There is no difficulty about effecting unity in the environment. It is

difficult to tell at present what future at any rate Distribution may have before it in India. One would wish it God-speed. For it might mean millions saved for the humbler classes—millions saved and corresponding millions laid by and piled up, and a general raising of status, tone and that standard of living desired, other considerations apart, as a remedy to the ruinous subdivision of the soil, by Professor Stanley Jevons. On this ground no fresh legislation appears to be called for to assist progress, nor any other artificial aid. Once it catches the fancy of the people it may be left to shift for itself.

Co-operative Production is a far more ticklish matter to deal with. And it *has* to be dealt with, because—Agriculture apart, with its coming Co-operative Dairies, Co-operative Sugar Factories (in organising which Lakshmikole appears to have set a good example), and the like—it is a question of the highest importance for the “16,692,000 people,” more or less, who are, according to Mr. Ewbank’s statistics, engaged in small industries. Many of these are Home Industries. For their benefit certainly aid seems required. But it is exceedingly difficult to suggest what that aid should be. The mere organisation of common purchase of raw material—which has begun to be practised—is the very easiest part of it, provided that money can be got. European precedents teach us little in the matter except that it is private benevolence which will have to be largely looked to. Government advances have proved, as one may say, not only not helpful, but distinctly detrimental. Of the host of productive societies established with the aid of those “three million francs” granted in 1848, in the teeth of Thiers’s vigorous protest against “this great folly,” in 1895 I found only two surviving. One had become a very close corporation, netting large profits and admitting no new members. The other consisted of three upholsterers who had a diminutive, dirty little shop with a few chairs in it. It has gone the way of all flesh since. The Austrian Government has expended large sums in endeavouring to develop and support productive societies—just like the Prussian, wasting five million marks upon proposed granaries—only to see them all coming to grief. The assistance which the French Government and French municipalities now give to productive societies—more particu-

larly to joiners and cabinet-makers, in the shape of contracts for schools and other public buildings—practically serve only to corrupt their Co-operation. The societies have been fortunate in being able to start a credit bank for their own purposes, as has been already mentioned. However, the bank—which is well managed—would be nowhere if a philanthropic Jew, named Moigneu, had not, as has been already shown, died at the opportune moment, leaving it all his property to add to its own paltry capital. And even so it has to keep begging the Government's aid, by requests which become recurrent, because the money granted steadily "leaches" into the pervious subsoil. In Italy even co-operative banks have not been able to help much, consistently with regard for their own safety. It is friends to the cause who must help and produce the Archimedean point from which Co-operative Production can set out upon its task of "moving the earth." But they will have to be careful and keep a watch upon the societies sponsored. The late E. Vansittart Neale, with all his ability, benevolence and wealth, lost a fortune in starting productive societies which he left to themselves. A German philanthropist, setting to work about the same time, at Brunswick, but looking very carefully after his society when formed, and keeping it in hand, led it to prosperity. Our British productive societies—I mean the genuinely co-operative ones, not those which legitimately enough and rightly enough, but not really co-operatively, produce goods for the distributive societies, which run them in their own interest, to yield them cheaper wares—start with this advantage that they have a large co-operative demand ready to befriend them, if the two interests can be made to agree. That is a very material help, not only in respect of a market, which is the crux of the whole matter, but also in the provision of funds, the distributive societies taking shares. We have (industrial) productive societies with 300 distributive societies or so on their books as shareholders. Provided that the productive societies satisfy the distributive society shareholders—by producing wares of not only good and suitable, but also uniform, quality appropriate to their market, and a steady current of supply, which is a matter of supreme importance—the latter provide a good dependable nucleus of customers. In any case they assist in the forma-

tion of a sufficient share capital. In India matters are very different. There are no distributive societies there to speak of, and such as there are are not in anything like a position to render appreciable help. One would not wish to see the Government interfering by providing either money or giving uneconomic orders, even if public opinion were to tolerate that. Technical instruction is already given to some extent, as for instance in weaving schools, the number of which, as well as the care bestowed upon them, one is glad to see increasing. Possibly there might be more. Precedents taken from Europe are to no purpose, because circumstances are so widely dissimilar and the apparent precedents are on so small a scale in comparison with what would have to be done in India. I have seen a good deal of the Continental organisation of small industries. But there is nothing to my knowledge that one could hold up as an example for India. Nevertheless the prickly cactus will have to be grasped. Evidently Registrars and their volunteer friends are grappling with it and one may hope that they will prove successful in devising means for developing and extending this form of production. In this matter, as Professor Crüger, Schulze Delitzsch's successor as head of the great German "Co-operative Union," has pointed out in his book upon Co-operative Production, "one success must count for more than a hundred failures," inasmuch as it proves that success is possible.

The question of Co-operation in India acquires even greater importance than it possessed previously since the Chelmsford-Montagu proposals for endowing the country progressively with self-governing institutions has come upon the scene. Under this aspect it deserves very grave and attentive consideration. For self-government, we know, may become a curse instead of a blessing when entrusted to a multitude which, without well-balanced minds, does not rightly know how to use it. A people, to benefit by representative institutions, wants to be educated up to the point of being able to use its representative rights with judgment. Now, experience has shown that there is no educator for this purpose like Co-operation, which, practising people in the government of their own affairs on a smaller scale, acts as a most effective preparatory or elementary school for self-government in graver matters, not only

dealing with distinctly practical affairs, such as sober judgment and restrain wild imagination, fitting people for compromise, but at the same time also impress and keep alive a sturdy respect for principle. Such effect is very clearly to be observed in the United Kingdom, where the deliberations of Co-operative Congresses, and Co-operative gatherings altogether, are found marked by a sound, sober, practical tone. There is no random talking there for talking's sake, or to air fanciful conceptions. Whatever arguments are used are to the point and have a practical bearing; and it is evident that speakers consider well the consequences to be looked for from the adoption of their proposals, weighing pros and cons. It is the same thing in Italy where, before co-operative organisation came in to bridle natural wild fancy and fantastic aspirations, views put forward took as a rule a very extreme shape and practical business seemed often hopeless. All this is changed now. In Germany, which has had Co-operation longer, and in larger extension, than Italy, the effect is—unfortunately only in matters of local administration—particularly striking. On co-operative ground the governmental theory of “the limited understanding of subjects” has long since been triumphantly overthrown, and co-operators have shown that they know how to look after their own affairs. And even in Russia, where free Co-operation is still only a new-born child, scarcely out of its swaddling clothes, the politically educating, sobering, maturing influence of Co-operation is very visible. One would think that in India, where indeed multiloquial oratory flourishes to a remarkable extent, but well-weighed argument is not always very clearly discernible in political discussion, such an educative effect as that here referred to could not be unwelcome. To judge by precedents, Co-operation bids fair to do a great deal towards fitting the democracy of the country for the exercise of its coming political rights. Therefore it would be well on this ground, too, to push Co-operation.

I have dwelt at length upon what to me appear to be shortcomings and moves likely to prove in the wrong direction, upon difficulties and mistakes made in the Indian Co-operative Movement, because that appears to me to be what at the present juncture most requires to be called attention to. However, when all is said that can be said

about shortcomings and difficulties, it will have to be admitted that Co-operation has a most successful opening of its work in India to boast of. The danger is that amid so much immediate material gain secured, holding out promise of even further benefits, those higher objects may be lost sight of which especially endear Co-operation to the philanthropist and the statesman and which really represent its most valuable prizes. Upon the greatness of such danger European precedents, valueless in some other respects, are indeed instructive. Money and money's worth are good things ; but they are not all. "Co-operation," so M. Luzzatti has laid it down, "is a form of business founded upon a lofty ideal ; the measure of the value of the business is the degree in which it is illuminated by that ideal (*La Co-operazione è un affare sorretto da un'idea morale; tanto vale l'affare quanto splende quella idea*)."

It is the raising not of money, but of character and of mental status, qualifying for the obtainment of further good, which constitutes the greatest benefit conferred by Co-operation and which accordingly Co-operation has the most urgent duty to strive for and the best right, when achieved, to make a boast of. It is to make the nation better as well as richer, and more internally united, with more objects in common, more thought of one for another, more bonds to sling around the isolated sticks, to make of them a strong faggot. It is to supply a modern substitute, appropriate to the times, for the defunct and worn-out old Indian village community, which is, as Registrars' Reports show, regretted not merely in the North, the district to which very accountably Sir J. Meston specially referred in the passage of a speech of his quoted. It has, *mutatis mutandis*, accomplished much in this way wherever it has struck root well in Europe. And conditions in India appear to be more, rather than less, favourable than on our side of the Red Sea. For the natural bent of Indian people appears to me most to incline that way. There is also still more Nature in India, more mutual interdependence. In respect of Industry, the big chimney and the buzzing machine have not asserted nearly so wide a sway. And small industry, hand industry—the suppression of which in Europe Arnold Toynbee so much regretted—has, as I have put it, still a thoroughly good chance and is, if judiciously practised, indeed almost a necessity.

Drop the ideal objects of Co-operation and the conception of comprehensive breadth, and you lose the best part of the institution. You do so even from an economic point of view. For even in their chosen province of Distribution, despite its most brilliant success as a whole, our British Distributive Co-operators have been found to stray from beaten business paths more than once into mistakes which to men of business sometimes appear ludicrous. One hears of such cases in Manchester. As compared with the whole flow of business these things are but mere fleabites. But, as Lord Rosebery has remarked, even fleabites are not pleasurable in themselves, and they do not altogether indicate mastery of the business. The effect is otherwise to be observed in every co-operative movement which has taken a one-sided shape. And there are more such than one. In Germany the Haas movement is all agrarian, and, upsetting the balance of various interests, thereby naturally sets all other interests against itself. The "distributive" movement in the same country is all anticapitalist and fights like a second Ishmael, with its hand against everyone and everyone's hand against itself. The old régime authorities, scenting danger in it, would not recognise it. In Belgium and Italy the Socialist and the "Catholic" movements have divided the country into two hostile camps. Even in our British Co-operative Movement, which is rightly held up as an example of magnificent and indeed unparalleled success, you observe the results of one-sidedness only too plainly. Practically it has confined itself to Distribution. A little Production is tolerated in it, after a stiff fight conducted with great bitterness. Even Profit-sharing, the recognised stepping-stone to that emancipation of Labour, upon which every social reformer, certainly among the old school of co-operators, fixed his eyes longingly as the coming solution of the troublesome problems of employment ever becoming more serious—and which, so it is now plainly seen, might, if accepted, have averted scores of strikes and trade disputes which have filled the country with anxiety and alarm during the war, our distributive co-operators have ruled altogether off their programme. It would have averted those strikes and disputes because they one and all turned upon the question of a fair division of war profits between employer and employed, which Profit-sharing

would have settled automatically and amicably. Agriculture supported by Co-operation, the settling of workingmen on their own farms, to live there happily—figuratively speaking, under their own “vine and fig-tree,” as the Bible puts it, the ideal of the early pioneers of the movement—has been openly discarded in favour of the new aim of colossal farms to be owned by “societies” and worked for them on the wage system.

And what is the result? Distribution has become a class movement with membership limited, as an officer of the Co-operative Union has placed on record, to “well-paid artisans” only, leaving the poor, for whom in truth Co-operation was from the outset specially intended, out in the cold. “The consumer transcends the producer”—that principle, which Professor Mukerjee appears so much in love with, is the result of the Co-operative Movement in Great Britain having become, from one appealing equally to all classes of the population and all callings, a movement distinctively of factory workers. The factory worker thinks instinctively of himself and of his own needs—as everyone else belonging to a distinct class does. Everyone’s shirt lies closer to his skin than does his coat. “Co-operation” means to him, with his regular paid employment, Distribution. For he has, or realises, no other wants. He wants to see his wants supplied and believes them to be the stereotype wants of all the world—*il est avis au renard que tout le monde mange poule comme lui*—he wants *his* interest to reign supreme. He does not really mean to be selfish. But he is so, because, like Washington Irving’s “Knickerbocker,” he can see but one side of a question. Hence Agriculture is by him conceived of merely as a servant to Distribution, just as Production is. So it comes about that our British Co-operation finds itself opposed both to Agriculture and to Co-operative Credit—the two forms of Co-operation in which India is specifically interested—because it holds both to be “individualist”—that is, calculated effectively to help the poor worker in his struggles with poverty. Of course they are “individualist” in this sense. Everyone in the world has his own individual interest to study—not least so the distributive co-operator, who keeps pondering over his “divi,” by the amount of which he often enough measures the value of his Co-operation; and who reflects

upon his steadily growing deposit in his society's keeping, which is eventually, of course, to benefit his individual self. That Mammon worship of "dividend" has in truth become one of the snares of Distributive Co-operation, just as, according to Milton, did the gold pavement of Heaven to the still unfallen angel Mammon. Study of dividend means prices kept up to the decided detriment of the poor. The movement has, in fact, as observed, become distinctly a class movement, with all the peculiar characteristics of a class movement about it, bellicose for class interests, a movement from which those whom Frenchmen and Belgians welcome as "intellectuals," but whom British co-operators brand as "individuals," are advisedly being more and more excluded. And, as a matter of course, from social and economic ideals it has come to fix its eyes now first of all on financial, and, as a further development, upon political, aims. It is no longer to assist the weak and poor to attain equality with the strong and the rich. It is to grasp the helm of government and to force its own system willy-nilly upon the world, to put the community into a strait-waistcoat of collectivist rule, which means a triumvirate rather than a republic. Fortunately for the world that feat is beyond the reach of human power. Deeming it, in their overconsciousness of power, like Hotspur, "an easy thing to pluck bright honour from the pale-faced moon," these modern revolutionaries are likely to find out that they are indeed in part "crying for the moon."

The movement having become one-sided, it is no more than natural that such aberrations of judgment as have been remarked upon should have occurred. For we all judge of the world as we see it. The co-operative working-man and his employee—who likewise poses as a "working-man," although he has been bred up in a shop or a factory and is really a man rather of the ledger than of the lathe or the trowel—sees the world as permanently divided between employers and employed. Employment as wage labour appears to him a law of Nature. Self-employment, accordingly, the desire of the ordinary man, does not fit into his conception of what should be. Therefore he will not have profit-sharing, nor independent Production, nor Self-employment, nor Agriculture as a cultivator's pursuit, nor Co-operative Credit as a help to the small man, to aid him to

economic emancipation. Master and man there are, and master and man there must remain. The "man" is indeed in a sense to become emancipated. Accordingly there is no alternative but this, that he must become collectively master of his individual self—and master, so it now appears, not alone of himself. We see in practice how vain are these aspirations. The "man" after all remains a "man," whether his master be one man or a multitude. And since there are master and man still, between the two there is sure to be diversity of interest. Such differences of interest have as a matter of fact cropped up readily enough also under co-operative mastership. And they have ripened into wrangles, and threats, and very serious strikes.

There are, as it happens, more interests than one in the world. And we may take it that all were intended to have equal justice done to them. The natural aspiration of every man—especially every Briton—is for freedom and independence, and mastership of himself. And it is the individual who is called to account for his acts and who is entitled to a personal reward for his personal doings. The servant who made his one pound produce ten pounds received the largest meed of praise. With equal right does his counterpart in industrial or agricultural employment look for a corresponding personal reward. It is the individual effort which devises new processes, makes new discoveries, helps the world onward. These things are not done without incentive. Job might "serve God for nought," but the world is not so served. The arm may respond to the call; but the head, and the purse which incurs the risk of failure, do not. We cannot conceive of a Stephenson or an Edison as proceeding from a collective workshop, nor yet a "Coke of Norfolk" or a "James Hope" from a collective farm. But the world would be poorer for the absence of their achievements. In respect of Agriculture, Distributive Societies are perfectly right in raising their own farm and garden produce for their own stores on their own land and through their own paid management. There is a well-beaten path to tread there, and in this description of farm management they have, with creditable enterprise, taught the world a timely and most valuable lesson which ought to be taken to heart, in their most highly intensive conduct of husbandry, which by its results practically refutes the

famous "law of diminishing returns." They have stuffed the soil with fertility, and got their return. Out as we are for quantitative production, that lesson comes most opportunely. However, to jump from such achievement to the conclusion that collectivist farming must henceforth replace individual—which latter has brought Agriculture to its present point of creditable productiveness, is an absurdity. The very "Socialists" of Italy in their collective land-holding—their *affittanze collettive*—eager as they are for collectivist labour, where it is in place, guided by experience, array themselves against it, for the most part carrying on their farming on collectively owned land in individually occupied holdings, because collectivist farming for profit is found to be in practice a mistake. Hence for our British distributive co-operators to set their face against that individual husbandry which their own forerunners made almost their main aim, and for which all human desire longs, is like fighting against the law of Nature.

Co-operation we want and that urgently—but many-sided Co-operation—Co-operation for all, with a balance of interests maintained, distinctive in its application, one in spirit, fair to all, bringing help to all. The less we hear of "class" within it, the better will it be. We want Co-operation all-embracing in its forms, but kept within its limits in its application. It can do a wonderful amount of work; but it cannot do everything. Farmers want to be able to buy in common, to sell in common, to do such work as can best be done collectively in common; it may be to acquire or rent land in common, to assist one another and form fraternal communities in common; but not—as a general rule—to bring their efforts from the height of what is possible to individual energy down to the level which has produced "ca' canny," to enervate it by depriving it of its proper prize and limiting its utility. Napoleon could not win victories while he was overruled by the "Representatives of the People." You think and scheme and run risks for yourself, just as you eat for your own stomach. There are things which you cannot share with others. An Italian proverb instances as such a horse and a wife. The present, of all times, when we have learned, during the war, how important it is that we should produce things at home, as much as possible, when allotment-holders may be said to

have saved the country from famine by working their plots individually in competition with each other, seems a curious one for bringing forward the theory that the consumer "transcends" the producer and that individualist farming should not be tolerated. The consumer pure and simple—that is, the consumer who is nothing else—is of all men the most selfish, thinking only of himself and closing his eyes to all other aspects. His being employed on productive work, so long as he has not a personal interest in the product of his labour, so long as he works only for his wage and accordingly thinks of nothing but his wage, leaves him a mere consumer still. The producer is a consumer as well—quite to the same extent. But his being a producer opens his eyes to other considerations. He takes a broader view of things and accordingly does justice to a greater extent to varied interests. Do not let India, dazzled, it may be, by the sounding phrase "The consumer transcends the producer," fall into the error of one-sided Co-operation, which narrows the mind as much as comprehensive Co-operation broadens it! Among a nation of small cultivators, one-sidedness must mean the doom of Co-operation. We have good exemplars to follow—the "fathers" of British Co-operation who laid the foundation of the success now achieved: Vansittart Neale, Hughes, Kingsley, Maurice, and in our own day Plunkett. There should be one Co-operation—Co-operation which can help everyone, which aims at economic and social improvement for all, and does not allow itself to be made a tool or pretext for either political or class warfare, either under a Kaiser, as in Germany, in the realm of Agriculture, or under a Labour Party, as in these modern days in the one-sidedly distributive camp of the Co-operative Movement in Great Britain.

However, if this end is to be achieved, there is one thing which is needful and which accordingly in these pages, as in my frequent private letters to Registrars, I have tried to lay stress upon. If the Co-operation, for the perfecting of which so much energetic and on the whole so undoubtedly judicious work is being expended, is to be worth much, it will ultimately have to be self-wrought, self-reliant, the willing work of those who engage in it, governed by themselves, not a forced and coddled hothouse plant. Government is there to see that laws are obeyed and to ensure that

nobody else's rights are invaded. It does so in our daily activity. But it leaves the merchant, the manufacturer, the farmer, the banker, free to pursue their business according to their own individual liking and their own ideas. It is private initiative which produces success, which discovers new methods, devises new processes. Were it otherwise neither our Commerce, nor our Banking, nor our Manufactures, nor our Agriculture would be worth much. It must be the same with Co-operation. The scientist advises the manufacturer and the farmer, the market asserts its claim to regulate Industry and Commerce, Education evolves new arrangements and new processes for them all. But business as such remains free.

The Co-operator likewise wants to be taught, instructed, guided. But the decision and the enterprise must be his. While in Co-operation Indians, speaking collectively, are children, they think as children, they act as children, they want to be led like children. But we are bound to look forward to the time when they will attain manhood, when childish things will have to be put away and self-determination will have to take the place of subserviency. That coming period wants to be kept steadily in view. The ship's prow will have to be kept towards it. There is no hunting, says a Latin proverb, with unwilling hounds. There is no putting "back" into action which is dictated from outside. The labourer who is not directly interested in the result of his work bestows little thought upon it. He works mechanically. The best gain that Profit-sharing brings to industry, so industrial men have found, is the "head" that under it is put into the employment. And "back" and "head" are evidently what are wanted in India's economic and intellectual evolution. If the full interest of the Indian people can be fixed upon Co-operation, if in this way free scope can be given to its remarkable stimulating power—stimulating alike to mental and to business energy—the gift which in 1904 Lord Curzon presented to the country, upon the sound and well-considered advice of his counsellors both in India and at Whitehall—will indeed prove to be what one of its native Registrars has called it, "one of the greatest benefits that it has yet received."

POSTSCRIPT

WHILE the sheets of this book, ready paged, are actually waiting to go on the machine, I receive—by the courtesy of the authorities at Delhi—an advance copy of the “ Report of the Proceedings at the Eighth Conference of Registrars of Co-operative Societies,” held at Simla last August. Those proceedings—which clearly demonstrate the great value of periodical gatherings for the discussion in common of practical questions—embrace a few points which appear to me to call somewhat imperatively for notice at this place.

On the question raised by Sir D. Hamilton of the sufficiency or insufficiency of the remuneration allowed to Registrars for their somewhat exacting work—to which they have devoted themselves with undoubted zeal and interest—I am not in a position to offer an opinion. But it appears to me that the time may well be held to have come for making something more of a career of the Registrar's calling, calculated to fix men interested in the matter to this particular work and so assuring to the policy pursued something more of continuity and permanence. More particularly while those volunteer workers are still lacking, whose collaboration would offer a guarantee of stability of policy, it is disappointing to see good men, broken in to the particular work, and having gathered judgment by experience, men whose administration might be taken as an earnest of even more valuable services to come, disappear from the scene so soon—often enough at decisive moments, when selected for probably well-merited promotion. And one would think that this must be prejudicial to the service. So stabilising the Movement, which is now generally understood to have become an important feature in Indian administration, would rid the conjectural programme of such undesirable items as that of the introduction of the

strictly official element into the service by giving the District Officers and Civil Servants of similar status an ex-officio position in the Movement. We have no reason in India to apprehend that official influence would be abused for political purposes as it has been on the European Continent. However, a Co-operative Movement is avowedly a movement destined for Self-help and Self-administration, in which people are to be taught to fend for themselves. Registrars are honestly endeavouring to train those placed temporarily under their charge up to this point. Themselves officers of the State, they seem generally to be hastening the time when Co-operation can be fully de-officialised. Bringing the truly official element as a ruling factor into the Movement, the character of which is already misunderstood by the majority of those for whose benefit it is designed, as if it were a Government institution, financed, and necessarily led, by Government, and therefore excluding the realisation of personal responsibility, would infallibly weaken just that fibre of personal responsibility on the strength of which success entirely depends.

The point of the administration of Reserve Funds—the absolute desirability of accumulating which is admitted on all sides—which figured prominently in the discussion, I have already dealt with in this book. But I could not, when writing, foresee the arguments which were to be brought forward at the Conference. To my mind Mr. Mant, the President—with a correctness which has thus far, I think, never failed the Indian Government when dealing with this matter—hit upon the right solution—in the abstract—of this problem in the Resolution which he proposed and which was adopted, framed to this effect : “ That, while recognising the ultimate advantages of creating a separate reserve fund invested outside the Movement, the Conference consider that, at the present stage of development, it may in many cases be desirable to prefer to this object the creation of capital owned by co-operative institutions for utilisation in their business. Subject to provision being made for the maintenance of a safe standard of cash reserve of fluid resources, they consider that there is no objection to the employment of the surplus assets or undistributed profits of co-operative institutions in their own business.” That is absolutely right in principle, but

it still leaves the Registrar without positive guidance in specific cases. It is only what Bishop Butler terms a "general precept." A "positive precept," indeed, it is scarcely possible to give on a matter which necessarily calls for that "elasticity" upon which Sir Denzil Ibbetson so emphatically insisted and that adaptability to every kind of circumstances which may arise, which could not be dispensed with. The Committee on Co-operation has probably caused as much confusion of mind by trying to deal with the point in a concretely mathematical spirit, as it has done good by reminding administrators of the undoubted necessity of keeping an adequate proportion of their reserve fund "fluid." This is, like the giving of credit, a matter in which each case will have to be considered according to its circumstances.

It may not be amiss, in connection with this point, to urge the remarkable stability of co-operative deposits to the extraordinary good "lying" character of which in India Mr. Beatson Bell and Mr. Mitra have called attention and which has been even more markedly attested in Europe after longer working. Even under the heavy trial of a great war Co-operation has shown the same remarkable power of resistance that Sir Robert Morier noticed on a smaller scale during the war of 1866. Co-operative Banks have once more rendered most valuable service in preserving and steadying business and keeping money safe, not only in countries like Germany and Italy, but even in martyred Belgium, robbed, sacked, and mangled as it has been, bleeding at every pore. The banks have kept on in their steady course and, instead of there being a run upon their deposits, there has even been a small increase of such. I receive, while writing, reports to this effect alike from *Banques populaires*, formed on the Schulze Delitzsch pattern, and from the Raiffeisen *caisses* of the *Boerenbond*—which last named, animated by its humane purpose, has afforded relief and help indiscriminately to all who were Belgians. It is this security of the deposits received, defying the danger of a run, which has enabled the two great Wholesale Societies of England and Scotland to deal with their deposit money for all the world as if it were capital of their own, investing it in productive establishments, farms, colonial estates, and so on. The time for proceeding on anything like the same

lines in India has not yet come ; and banking establishments could indeed never act upon the same principle. And the Committee's calling for "fluidity" of an adequate portion of the Reserve was decidedly timely. Only the "proportion" to be so dealt with will have to be allowed to vary according to circumstances. There will have to be different rules for Central Banks and for primary societies. And even in organisations of the same class the proportion will have to vary or there may be, on the one hand risk incurred, on the other opportunity wasted. Under the Raiffeisen system the Reserve accumulated—partly as an Endowment Fund, becoming Capital, partly as a true Reserve, the latter to be kept liquid and handy—was designed to serve both these purposes. And it would not be convenient by general rule to separate the one from the other, just because the proportion in which they may have to serve either one purpose or the other will at the outset be doubtful. To earmark for the "Endowment Fund" what might in cases of emergency have to be used for "Reserve" purposes would reduce, instead of strengthening, the security offered. On the other hand, to set apart for "Reserve"—and therefore keep "fluid" and handy, but comparatively idle—what there might be no call for under this head and what would accordingly be far better employed as forming part of the "Endowment Fund," employable in business—might needlessly tax the Society's finance. Since the point was particularly mentioned, it may be well for me to state with no uncertain sound that certainly the investment of Reserve Fund money in *shares* of other co-operative organisations is a matter to be avoided, as after all involving some risk. I have the opinion of a high legal authority for it that in England it would be disallowed by Courts of Justice.

Incidentally I would take occasion to point out that Mr. English's reference to the very small proportion of share capital to loan capital in German societies, taken *en bloc*, rather obscures the lesson which he is rightly trying to impress upon his hearers. I do not dispute his figures. But, to be quite fair to Sir F. Nicholson, whose admirable Report of 1895 remains a landmark in the study of this question, one ought to remember that that Report was written full sixteen years before Mr. Cahill's no less valuable Blue book. Whatever discrepancies there appear in the two documents

may be taken to be due to changes which have taken place in the interval. There have been not a few such. The undercapitalisation in German societies pointed out of course occurs only in Raiffeisen or soi-disant Raiffeisen societies, which are held to require no share capital. In "Schulze Delitzsch Banks the proportion is generally the same as in Burma—that is, about 1 share capital to 5 loan capital, which is considered a safe ratio. The undercapitalisation pointed out by Mr. English is rife more particularly among societies supported by the State, and therefore relying upon the State's supplies rather than upon their own resources. It is a gross abuse, to pillory which I in 1904 published Herr Heuzeroth's highly interesting Report upon this very subject in the Proceedings of the International Co-operative Congress of Budapest. One may be glad that in India the tendency appears to be altogether the other way, and that there even societies which would be perfectly legitimate without, or with only a very small, share capital, make a point of raising what share capital they can, which unquestionably gives them greater stability. Here is one of the "German precedents" against which I have taken occasion to warn Indians.

The great battle of the Conference, however, was fought out on the point of State assistance. And with regard to that one may be thankful that the Government has once more maintained a decidedly correct attitude, and so saved the Co-operative Movement of India from threatening peril. The discussion also shows how well founded was my impression, owned to in this book, that that Movement has arrived at an important turning-point in its history, with a right and a wrong way before it. No doubt there is "meat" in those "Egyptian fleshpots" of State aid sighed for by some Registrars. But there is also "death in the pot," or at any rate danger of a serious aberration. Unquestionably the temptation is great. The Registrars, feeling the pinch of shortness of cash for useful employment, see considerable sums voted for *takavi* going a-begging—which does not exactly speak for the efficiency of the *takavi* institution. And naturally they ask themselves: Why is not that idle money given to us to employ like the self-decupling talent in the parable? Well, one good and sufficient reason is that *takavi* and Co-operative

Society loans are two entirely distinct and heterogeneous things—lent out for different purposes, based upon different security, and of different natures altogether. The co-operative loan is of the borrower's own raising, intended to be used—again and again, it may be—as working capital for his business. *Takavi* is allowed for special purposes, and in emergencies, to individuals, or it may be to districts, whether their inhabitants be members of Co-operative Societies or not. And they are not intended to go out “again and again.” Their specific object achieved, they come to an end. Co-operative Societies are no doubt to afford help also in emergencies. But their first and main object is to supply the borrower lacking such with working capital whenever he needs it, with as little to-do as possible, not in the circuitous way of *takavi*. The existence of Co-operative Credit Societies cannot preclude the possibility of emergencies, for which not self-help alone, but help also from the outside, is called for. We have raised—and well raised—any quantity of such outside-help money during the war. And in India, the land of periodical famines and droughts, assuredly there can be no need for proving the legitimacy, nay, the necessity, of help to the individual or to classes of the population by the mass of the nation in certain urgent cases. Possibly *takavi* may constitute the proper form which outside help is to take in such circumstances. Co-operative Societies can render such help only within comparatively narrow limits, because they necessarily have to cut their coat according to their cloth and can deal only with members.

However, if Co-operative Credit Societies require more money than they can now get, and the State should decide to give it, there are no other but prudential considerations to stand in the way. Lord Curzon, when on the introduction of the Act of 1904 explaining the cause of apparent Government chariness in allowing only scanty money help, distinctly added—in the passage already quoted—that in the event of more substantial pecuniary aid proving called for, it would be forthcoming. And there is no reason to doubt that, if the reason could be established, his successor of the particular day would redeem that promise. Should such help be found indispensable, however, it had much better take a shape similar to that in which advances are

made by banking institutions, than in that of *takavi*, the giving of which to organisations like these banks could scarcely be made to fit into the terms of the two Acts under which it is bestowed. Of course it is right that in granting *takavi* the authorities should avail themselves of the local and personal knowledge of Co-operative Credit Societies. But that must be without attaching any responsibility to the advice given. For what society would make itself responsible for the repayment of loans granted in this way to persons who may be non-members, especially when it is known that repayment is exacted, as the Irrigation Commission has placed upon record, with "rigour"?

Sir Daniel Hamilton, who appears to think only in crores, delighted the Conference with a wildly imaginative picture of the good which State aid, to be bestowed in hundreds of crores—to the destruction, as Mr. Parsons showed, of the security given under existing currency arrangements—to be backed by the "100,000 organisers and 10,000 additional teachers" of whom he had previously spoken, would produce in turning a desert of mahajan rule and neglected agriculture into an Eden of plenty. Wisely he abstained from quoting precedents. For what precedents there are are all against him. Where are the "100 per cent." made out of such Government advances by cultivators in Egypt? The cultivators have had the money and have spent it, and allowed their land to become more and more unfruitful. That Arabian Night tale of wonders will not go down. The race of Aladdins has died out.

An advance—whether coming from the State or from other sources—will do good, no doubt; it may even produce Sir Daniel's "100 per cent." of increase—when backed by other qualifications, not represented by money, and which certainly State advances—as precedents on record clearly show—not only fail to produce but actually render impossible: a vivid sense of responsibility, conscientiousness, and industry. These qualities Co-operation has it in its power, and makes it its first object, to produce. They are worth ten thousand times more to the community than the mere money which, without them, is sure to be lost.

Now, should further money aid be called for in support of Co-operation, as I have stated elsewhere, State money is in itself no better and no worse than other money; the State

rupee is as good as any other rupee, provided that it is advanced in the same strictly businesslike way, imposing the same conditions. But that is just what it cannot. Just as the District Officer to be enlisted in the service of Co-operative Credit cannot divest himself of his official character, which fact is bound to confirm the helpless raiyat in the belief that the entire institution is a State institution, financed by the State, directed by the State, making the State the creditor, and fixing no other responsibility upon himself except to obey under compulsion, so State advances cannot be freed of the accompanying circumstance that they are given by the State. "Why do you not repay me, when you pay your kists so regularly to your Self-help Society?" So asked the late Vicar of Ealing a parishioner to whom he had lent £2. "Oh, you're the Vicar; you don't want it." The State likewise is held not to "want it."

Sir Daniel Hamilton has himself in a subsequent motion showed us a better way. If deposits fall short—as they naturally may, not only in the early stages of weakness, but even more in subsequent times, when calls are great—the proper remedy is, to tap the great banking market. That is done in Europe through Central Banks. And that is in truth half the work that Central Banks are intended for. The Imperial Bank of Germany, the Bank of France, the Bank of Italy, the great Dresdner Bank, and other institutions besides, open their cash boxes freely to Co-operative Credit Societies, making specific advances or else discounting those pro. notes which Indian Registrars complained at the Conference that societies could not place; the Bank of France freely discounting such down to notes for five francs only, that is, about three rupees—because they know what the security is on which they are asked to pay the money. There cannot be the least doubt that Indian banks would be ready to do the same thing if they had the same knowledge. They have not. And one of my complaints against Indian Co-operative Credit in its present shape is that under it Central Banks are employed for different purposes than those for which institutions of their kind were really designed—seemingly as a permanent arrangement—and not for this very important one. Of course, when in this connection I speak of "Central Banks," I mean "Central Banks" in the

European sense of the word, something like what in India "Provincial Banks" should develop to. You want such concentration of financial resources. In responsibility decentralisation, in finance concentration! Central Banks, in the European sense, are not to serve as instructors, not to audit and the like, but as balancing-stations and "transformers"—like those which in the electric-power works transform "high velocity" current, coming from the main, into "low," for local use—making co-operative security, which is a thing *per se*, employable in the capitalist manner and so rendering it serviceable in the capitalist market as a basis of credit.

That desirable connection between capitalist and Co-operative Credit has not yet been brought about, because capitalist banks do not yet understand Co-operative Security. To remedy this defect Sir Daniel Hamilton has proposed the appointment of a Committee, to be composed of bankers, business men, and co-operators, to consider the matter. One may hope that the proposal will be adopted. For that is likely to lead to a solution of the present difficulty. Indian bankers are of the same genus as European, and are not likely to decline to avail themselves of a good opportunity for business. It was *Indian* capitalists who hatched the ambitious scheme of a few years ago, "cabled" across to Europe, of a giant bank—for which much cash was actually already paid in—to raise money at the English rate of interest, and employ it in India, for the use at any rate in part of Co-operative Credit Societies, at the Indian rate—the patient raiyat paying the difference. Once the two markets are connected there is likely to be ample money.

In any case Indians in authority will do well not to allow themselves to be led astray by such will-o'-the-wisp phantasms as Sir Daniel's fertile imagination has in his "hundred crore" mood flashed before their eyes. The Co-operative Movement in India is, as Sir R. Carlyle has well pointed out, intended, not for the moment only, but for a long and fruitful future. You may flood the country with money easily enough, if that is your object. If you want to set up a structure that will last, that will do good, and resist the "descending rains, coming floods, and blowing winds," you want to build upon a "rock" solidly, though it be, slowly. Rome was proverbially not built in a day. If

it had been it would not have become the "Eternal City." I remember in my schoolboy days, sixty-four years ago, asking the captain of a ship which carried me across the North Sea, how soon we should get into Hull. His rather severe answer was : " My business is, not to take you there in the least possible time, but to bring you there safely." Safety and enduring success is what we are out for in India; and we must not grudge the time or trouble and labour for ensuring that. *Aedificare diu cogitare oportet*, says Cato. *Festina lente*. Therefore let us curb our impatience ! The policy of 1904 and 1912 has yielded, and continues to yield, excellent results. Our child is growing. It is almost weaned from dependence upon the " mother's milk " of State aid. Its powers are increasing. Let us beware of " more haste, worse speed." Give the approved principle a fair chance, and precedents tell you that you will not be disappointed.

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